

The Davos Issue

Newsweek

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EU REFORM**

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SECURITY**

**TONY BLAIR ON
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THE TRIALS OF CHRISTINE LAGARDE





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Newsweek

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As political figures, economists and business leaders meet this month at the World Economic Forum in Davos, Switzerland, *Newsweek* asks what 2016 will bring for Europe after a challenging year. We profile Christine Lagarde, who is six months away from the end of her term as managing director of the International Monetary Fund, and also hear from Secretary-General of NATO Jens Stoltenberg, former British Prime Minister Tony Blair and Chancellor of the Exchequer George Osborne.

COVER CREDIT: PHOTOGRAPH BY LEXEY SWALL/GRAIN FOR NEWSWEEK

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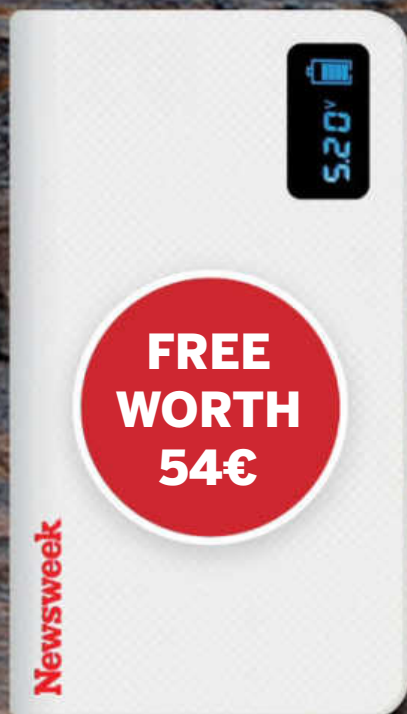
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BIG SHOTS

MEXICO

In Turn-around

Mexico City—Mexican security forces escort Joaquín Guzmán, the world's most wanted drug trafficker, on January 8. Authorities captured Guzmán, known as El Chapo, six months after he escaped from a maximum-security prison. They zeroed in on his location after learning of actor Sean Penn's interview with the leader of the Sinaloa Cartel. In an article for *Rolling Stone*, the actor quoted El Chapo as saying: "I supply more heroin, methamphetamine, cocaine and marijuana than anybody else in the world. I have a fleet of submarines, airplanes, trucks and boats." The United States has requested Guzmán's extradition.



SUSANA GONZALEZ



USA

Obama Tears Up

Washington, D.C.—With Vice President Joe Biden looking on, President Barack Obama delivers a tearful statement on January 5 concerning an executive action aimed at reducing gun violence. The order includes mandatory background checks by firearms dealers, stricter enforcement of current gun laws, increased mental health treatment and calls for further research on gun safety technology. Obama is expected to make gun control a key issue during his last year in the White House. Many Republicans immediately deemed the order an overreach, while Democrats hailed it.



CARLOS BARRIA

USA

Taking a Powder

Burns, Oregon—A member of an armed group that has occupied Malheur National Wildlife Refuge rides his horse on January 7 after a light snowfall. The group took over an empty building on the wildlife refuge on January 2 to protest the prison sentences of Dwight and Steve Hammond for arson after fires they set spread to federal land. Among the protesters was Ammon Bundy, son of rancher Cliven Bundy, who led a standoff with the Bureau of Land Management in 2014. In a news conference, Ammon Bundy said the broader goal was to “restore and defend the Constitution.” The FBI held off intervening, hoping to avoid the kind of violence seen in Waco, Texas, in 1993.



ROB KERR





ENGLAND

The Man Who Fell to Earth

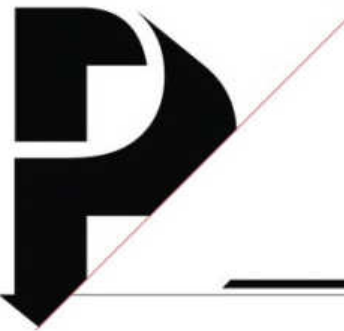
London—Mourners and media gather around a mural of David Bowie in London's Brixton district on January 11 to mourn his death. The legendary British musician had privately battled cancer the past 18 months and had just released *Blackstar* on January 8, his 69th birthday. The album caps a career that began in 1967 and included over two dozen studio albums. Known for his innovative music, as well as his iconoclastic, androgynous fashion sense and performing style, he was a pioneer of the glam-rock genre, and his penchant for reinvention helped redefine the boundaries of rock music.



CARL COURT







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MIDDLE EAST

GUNS

NORTH KOREA

CRIME

POLITICS

THE ISLAMIC WORLD'S FAST BOIL

Saudi Arabia's killing of a Shiite cleric has intensified an already deadly rivalry with Iran

THE RECENT TIT-FOR-TAT clashes across the Middle East have made the first days of 2016 seem a lot like 1979. That was the year Ayatollah Ruhollah Khomeini led Iran's transformation from an autocratic state ruled by the Shah into the Islamic Republic of Iran. Violence wracked the region in the immediate aftermath of the changeover. Mobs overran embassies, and Sunni Arab governments swore to turn their backs on the new theocratic regime in Tehran. Oil-rich despots throughout the region poured money and weapons into proxy conflicts all over the Middle East, unleashing a wave of destabilizing, sectarian violence that eventually died down but never went away.

The event that turned back the clock and made an already roiling situation boil over took place on January 2, when Saudi Arabia killed a dissident Shiite cleric, Nimr al-Nimr, in a mass execution of 47 people. Iranian mobs attacked Saudi Arabia's diplomatic missions in Tehran and Mashhad. A flurry of escalations followed: bombings in Yemen, diplomatic relations severed, promises

of retaliation by both Riyadh and Tehran.

Although they're an alarming throwback to 1979, these incidents are just the most recent round in a long, destructive struggle between two powers apparently set on pulling the entire region into a conflict between a Sunni bloc and a Shiite crescent. Both are seeking a winner-takes-all victory. "All the sectarian rhetoric is becoming a self-fulfilling prophecy for these regimes who love to play the sectarian card," says Farea al-Muslimi, a Yemen analyst at the Carnegie Middle East Center in Beirut. "The Saudis feel betrayed, and now they feel like they must do something, even if it's the wrong thing."

The two oil-rich theocracies—one Shiite and one Sunni—are vying for regional dominance. The feud between Iran and Saudi Arabia has fueled sectarianism, resulted in an increase in the flow of weapons and funding to extremists, and spawned numerous militant movements.

Neither side shows any sign of backing down. Iran's supreme leader, Ayatollah Ali Khamenei,

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MOHAMMED AL-SHAIKH/AFP/GETTY

DIVISIONS: The execution of Saudi cleric Nimr al-Nimr sparked protests among Shiites in Bahrain, above, but the Sunni rulers of Bahrain joined Saudi Arabia in cutting off ties with Iran over protests there.



promised “divine justice” after al-Nimr was executed. Saudi Arabia’s monarchy, meanwhile, put out the word through allies that “enough is enough” and that it would no longer hesitate to stand up to Iran.

But even more of a threat to the region than this Iran vs. Saudi Arabia contest is the likelihood that the two countries are lashing out at each other from positions not of strength but of weakness—and in their efforts to dominate each other they could cause the entire region to fracture and spin out of control. The two autocracies appear set on ratcheting up their clash, consequences be damned. But it also seems clear that neither Iran nor Saudi Arabia can control the wars, proxy militias and ideological movements their conflict has unleashed. Even if Tehran and Riyadh calm down, the armed groups they have spawned could continue fighting throughout the region.

If there is a single event that sparked this flare-up, it was the 2015 Iranian nuclear deal, which saw Iran agree to dismantle its nuclear program in exchange for the lifting of sanctions. The agreement was clearly good for global security, but it also dramatically changed the region. Saudi Arabia, which views itself as the Sunni world’s banker, oil baron and spiritual chief, felt

abandoned by its most important ally, the United States, widening a rift that opened in 2011 when Washington supported popular uprisings against Arab tyrants during the Arab Spring.

When the Obama administration was pursuing its nuclear accord with Iran, Saudi Arabia felt betrayed, and now the U.S. was preparing to help the Saudis’ biggest regional rival by lifting sanctions. At almost the same time, oil from fracking and other sources has made the U.S. a major oil state, no longer directly dependent on Middle Eastern—particularly Saudi—oil.

King Salman, Saudi Arabia’s new monarch, took an uncharacteristically confrontational approach with the U.S. His inner circle lobbied against the Iran deal, and in March—over strenuous American objections—Saudi Arabia launched a massive assault on Iranian-backed rebels in Yemen. By the time the nuclear deal was inked in July, the Saudis were dangerously close to a rupture with Washington.

Some Western diplomats said the Saudis’ decision to execute al-Nimr—when they knew full well it would antagonize Iran (and the U.S., among others)—seemed specifically designed to thwart the major Syrian peace conference scheduled for January 25 in Geneva. Peace talks without Saudi

+ ACTION AND REACTION: Iranians took to the streets to protest Saudi Arabia’s execution of Nimr al-Nimr, and some stormed the Saudi embassy in Tehran, prompting Saudi Arabia to cut ties to Iran.

Arabia and Iran, powerful backers of opposing sides in the war, would be a waste of time.

Saudi Arabia's bellicose maneuvers have strained its relationship with Washington. U.S. diplomats and security officials say they are angry about citizens of Saudi Arabia and other Gulf countries financially backing jihadis in Syria, Libya and elsewhere in the region.

But the Saudi royal family, if it is to survive, must keep the country's powerful extremist Sunni (or Wahhabite) clerical establishment on its side. That means that the monarchy wants to persuade Washington that Saudi Arabia is a firm counterterrorism ally while demonstrating to its subjects at home that it will protect the conservative religious core of the Wahhabi sect.

The execution of the Shiite cleric was "local politics," says one Arab analyst who works closely with the Saudi government and spoke on condition of anonymity because he didn't want to anger officials. "They don't want to lose more support to ISIS, so they need to show they can be more hard-line than ISIS. That's why they killed Sheikh Nimr."

The execution was also a way for Saudi Arabia to block what it sees as Iranian ascendance. After almost five years of stalemate in Syria, President Bashar al-Assad's regime has been winning back territory, thanks to significant military support from Tehran and Moscow. Iraq, a Shiite-majority neighbor, has also become an Iranian ally. In Lebanon, the Iranian-backed Shiite militant group Hezbollah is stronger than ever, and the nuclear deal with the U.S. and other world powers will greatly boost Iran's revenues and reintegrate Iran's Islamic Republic into the global economy and the international community.

But a closer look suggests all is not so rosy for Iran. Abroad, it has lost much of the support and soft power it cultivated directly after its 1978-1979 revolution. In the mid-2000s, Iran's so-called axis of resistance—an informal coalition of Iran, Syria, Hezbollah and the Sunni-dominated group Hamas—enjoyed widespread popularity among Sunni and Shiite Muslims.

Today, polls show that Iran's popularity in an increasingly polarized region has evaporated. Like Saudi Arabia, with its backing of rebels in Syria and its military campaign to support the government in Yemen, Iran has overreached and become inextricably involved in wars that are unlikely to have an outright victor. Hezbollah openly took sides with the Assad regime and has lost its Pan-Arab luster.

And Iran, despite the considerable resources of its expeditionary Quds force and the fearsome reputation of its commander, General Qassem Soleimani, has been unable to guarantee the survival of the Syrian regime, in spite of the recent military successes of Assad's forces and their allies. In Yemen, the side Iran supports, the Houthis, is steadily losing ground in the face of the Saudi-led assault.

"Iran and Saudi Arabia have managed to establish a mutually destructive cycle of conflict in which both sides are damaging their future regional position," says Michael Hanna, a senior fellow at the Century Foundation and co-author of a recent article titled "The Limits of Iranian Power" in the journal *Survival: Global Politics and Strategy*.

"While most assume that Iran is much better positioned, it is much more isolated than is generally recognized," says Hanna, who argues that Iran's alliances are under extreme strain. "Its soft power in a majority Sunni Arab world

"THE SAUDIS FEEL LIKE THEY MUST DO SOMETHING, EVEN IF IT'S THE WRONG THING."

has collapsed, and it is now limited to exercising hard power in sectarian conflicts."

Whatever happens in this round of the Saudi-Iranian rivalry, things promise to get worse, not better. "The policies of the Saudi regime will have a domino effect, and they will be buried under the avalanche they have created," said Iranian Revolutionary Guards Brigadier General Hossein Salami on January 7, according to Iran's state-run Press TV. "If the Al-Saud regime does not correct this path, it will collapse in the near future."

Both sides frame their competition more and more in absolutist, sectarian terms, and both sides have proved less and less able to manage the endless crises in the region. Iran and Saudi Arabia are doubling down on a war neither can win. ■



KIM'S NUCLEAR TRUMP CARD

North Korea's nuclear weapons program is expanding—and China won't do much about it

YOU'VE GOT TO hand it to the North Koreans; they do it all the time. The rest of the world is focused on other dangerous places and issues: an unfolding civil war in the Islamic world; spreading jihadi terrorism; refugees streaming by the millions out of war-torn Syria; China's stock market crashing; and oil prices plummeting.

Then, on cue, pudgy little Kim Jong Un does something—just as his father, Kim Jong Il, used to—that reminds us: oh, damn, *that* place again.

North Korea conducted its fourth test of a nuclear weapon on January 6. Pyongyang immediately announced that the bomb it detonated was a two-stage thermonuclear device, otherwise known as a hydrogen bomb. The likelihood that this was *not* an H-bomb is what officials in Washington, and their echo chamber in the mainstream media, focused on in the test's immediate aftermath.

Experts believe the bomb Pyongyang detonated was probably a hybrid, in which hydrogen isotopes are used to increase yields on conventional fission devices. But as North Korea watcher Stephan Haggard of the Peterson Institute for International Economics says, "The main point is not in the technical details but in the obvious: North Korea is actively developing its nuclear capacity and in parallel its missile capabilities as well."

As in the aftermath of the previous three tests, the outside world now focuses on what it can

do about North Korea and its nuclear program. And however depressing it may be to hear, the likely answer (again) is: not nearly enough to persuade Pyongyang to get rid of its nukes.

The central dilemma Washington and its allies confront is this: Pyongyang believes the possession of nuclear weapons is a guarantor of regime survival. The maintenance of the Kim family dynasty is the top priority in Pyongyang. Everything else is secondary. And having nukes in his pocket—10 to 16 of them already, according to intelligence analysts, with dozens more coming—is Kim's ultimate security blanket. No one will start a war on the Korean Peninsula as long as he's got them. This is no doubt why the North Korean government, in its statement announcing the test, stressed that Pyongyang would be a "responsible" nuclear power and would not use its weapons first in any conflict. The outside world—China included—views that pledge with great skepticism.

There was a time when it *seemed* as if the North was amenable to trading away its nuclear program for money and energy. President Bill Clinton negotiated the so-called Agreed Framework in 1994, which was supposed to do just that. And the regime did take some steps to rein in its ability to produce plutonium-fueled nuclear bombs. But early in the George W. Bush administration, the U.S. discovered that Pyongyang had a secret program to develop a uranium

BY
BILL POWELL





**PENINSULA
POLITICS:**
North Korea's
announcement
it had tested a
hydrogen bomb
sent shock waves
through South
Korea, above,
though experts
doubt it was really
an H-bomb.

bomb, and whatever progress that had been made toward a nuclear resolution blew up. In Bush's second term, the White House was persuaded by its allies—South Korea and Japan—to join China in the so-called Six-Party Talks, which again tried to push the nuclear boulder up the hill.

Those talks failed, and President Barack Obama concluded in his first term that exerting the effort to get Pyongyang to stand down on its nukes was not likely to pay off. Instead, he directed his diplomatic energy toward Iran, which had signaled a willingness to make a deal on its nuclear program.

Now comes, as Haggard says, the familiar script: international condemnation of North Korea, a convening of the U.N. Security Council,

HAVING NUKES IN HIS POCKET IS KIM JONG UN'S ULTIMATE SECURITY BLANKET.

talk about tightened sanctions and all eyes looking hopefully toward Beijing. China could, if it wishes, inflict enough economic pain, as Pyongyang's only significant trading partner, to prompt North Korea to "alter its trajectory," as Haggard puts it.

There are steps the United States and other

governments can take to try to coerce Kim into better behavior. Obama, has described North Korea as one of the most heavily sanctioned countries in the world, but former CIA analyst Bruce Klingner says that's not true. "Washington has targeted fewer North Korean entities than those of the Balkans, Burma, Cuba, Iran and Zimbabwe," he says. Klingner argues that the U.S. should sanction all foreign companies and financial institutions assisting North Korea in its nuclear and missile programs. He also argues that Washington should ban financial institutions that conduct business with North Korean violators of U.N. resolutions from access to the U.S. financial network—a step that would be aimed largely at China. And, in fact, both houses of the U.S. Congress have legislation ready to go that would do exactly that—legislation that to date the Obama administration has opposed.

So the central question, as it has been after every previous nuclear test, is: What will Beijing do in response to Pyongyang's latest provocation? The initial response was not encouraging to those hoping for a "We're fed up, let's bring the hammer down" moment. The foreign ministry called for a resumption of the Six-Party Talks—a response that exasperated one longtime Japanese diplomat who works on North Korea. "We're going to need a lot more than that from the Chinese," he said.

There is little doubt that China can hurt the North. It can shut down oil and gasoline exports overnight, as well as the trade in goods that goes back and forth between the countries every day. If that was coupled with efforts from South Korea and Russia to shut down their limited economic engagement with Pyongyang, North Korea would pretty much be left to freeze in the dark.

The question is: Would that matter? Recall that in the late 1990s, thanks not so much to economic sanctions but to horrendous domestic policy in Pyongyang, tens of thousands of North Koreans perished in a mass famine. Desperate refugees poured across the border into



+ HIS FATHER'S SON: Kim Jong Un has been determined to prove his toughness since his father died in 2011.

China. And yet the regime, then run by Kim's father, never buckled.

Pyongyang deserves censure for again violating U.N. strictures against both its nuclear and missile programs. But as in the past, there are limits on how far Beijing will go. In an era in which its economic miracle is fading and its labor market weakening, the last thing China wants is to become a magnet again for signifi-

PYONGYANG STRESSED IT WOULD BE A "RESPONSIBLE" NUCLEAR POWER AND WOULD NOT USE ITS WEAPONS FIRST IN ANY CONFLICT.

cant numbers of refugees. And Beijing still, geopolitically speaking, would rather North Korea exist than not. (China does not see much advantage to a unified Korea allied with the U.S. on its border.) Combine all that with Pyongyang's obvious determination to remain a nuclear power and reality intrudes: With Kim Jong Un and North Korea, what you see is what you're going to get—over and over again. **n**



The Doctor Is In...and Down

RESIDENCIES SEEM TO BE MAKING PHYSICIANS-IN-TRAINING DEPRESSED

Every March, aspiring doctors around the country wait with feverish enthusiasm to receive their match envelopes. Inside, they'll find the answer to a question they've been pondering through four years of medical school and several months of applications and interviews: Where will they spend the next few years as interns and residents?

But after some time in their newly assigned—and grueling—positions, the excitement wears off. More than a quarter report symptoms of depression, according to a recent paper published in *JAMA*.

Dr. Srijan Sen of the University of Michigan worked with colleagues to analyze data from 54 peer-reviewed studies from 1963 through 2015 and found that the overall rate of depression or depressive symptoms among interns and residents was 28.8 percent. In contrast, 6.6 percent of adults in the U.S. experienced a major depressive episode over the course of 2014.

There's something specific about the intern experience that's making doctors depressed, says Sen, who is also the principal investigator on the Intern Health Study. That

project has tracked stress and depression in over 10,000 new doctors and shows that depression rates increase from 3 percent before the beginning of residency to 26 percent during the first year.

The long hours and sleep deprivation of an internship are infamous, but they're not the only problem, says Dr. Thomas Schwenk, dean at the University of Nevada School of Medicine, Reno, who authored an editorial published in *JAMA* in conjunction with Sen's study. During residency, new doctors face huge stresses, Schwenk says, and deal

with ethical dilemmas, technological decisions and patient expectations. Unlike in most jobs, the stakes can be life or death. "There's a tremendous amount here that we're not helping them internalize," he says of doctors. "These are very traumatic experiences that they have."

Although "there has been little willingness or energy to change the system," Schwenk wrote, this data showing how rampant depression can be among doctors "suggests there may be no choice."

BY
STAV ZIV
@stavziv

SOURCE: *JAMA*, 2014 NATIONAL SURVEY ON DRUG USE AND HEALTH

A close-up, high-contrast photograph of a gorilla's face, focusing on its eye and nose. The gorilla's fur is dark and textured, and its eye is a striking yellowish-brown. The lighting is dramatic, highlighting the contours of its face.

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EGYPT



“Democracy is about will and practice”

President Abdel Fattah El-Sisi on Egypt's economy, politics, and future

Egypt has made great strides over the last two and a half years in political and economic renewal. October's successful parliamentary elections marks the final milestone on our road map to the future and lays the foundation for inclusive, representative, and effective governance that will provide a better future for our citizens and fulfil aspirations for a prosperous, secure, and free country.

Economically, Egypt has a bold, revolutionary vision for development to create a stable, dynamic platform for investment. Steps have been taken to address macro-economic imbalances: minimising energy subsidies, improving tax systems, labour-intensive infrastructure mega-projects, and a comprehensive urbanisation plan to incite development and maximize our human-resource potential.

Our vision is rooted in a strong belief in the principles of the market economy and the role of the

business community in achieving sustainable growth and social development. Our investment strategy is to encourage private financing by offering well-designed projects with attractive returns.

On the security level, progress has been made to maintain the safety and security of the Egyptian people against terrorism that aims to undermine our peaceful and prosperous future. Our priority is protecting our people from this threat. The latest wave of violence across the world shows how crucial it is to mobilise a united international effort to tackle this threat. We are keen to work hard to balance security, rule of law, and human rights. Egypt's counter-terrorism law draws from the experience of other democratic nations that have fallen victim to terrorism.

The long-standing ties between Egypt and the Gulf and Arab nations are of strategic importance. We will continue to assume our

historic responsibility towards Arab security and will build our strategic partnership in the future in light of the mutual challenges we all face. The volatile neighbourhood and dire situations in several Arab States provide fertile

“We will balance fiscal consolidation with a commitment to social justice and durable economic reform”

Abdel Fattah El-Sisi, President of Egypt

ground for extremist ideas. There is an urgent need to work closely and constructively with our allies and partners to rise above political interests and reach comprehensive, fair solutions to ongoing crises.

Egypt's membership of the UN Security Council and chairmanship of the UN Counter Terrorism Committee will further cement our role as a regional power and will position us to immediately and productively contribute to

international efforts in pursuit of peace and security in the Middle East, Africa, and beyond.

Egypt has moved forward significantly in a short period of time, with political gains along the way. When the people took to the streets on 25 January 2011 and 30 June 2015, they wanted to change the regime. This was achieved. Their voices are empowered and shaping our democratic transition. Democracy is about will and practice. Today, Egyptians are practising their right to choose their leader and representatives. The President can only serve a maximum of two terms. The government is committed to genuine implementation of democracy. But it does not happen overnight. Challenges still lie ahead and our political evolution is not over. We will pursue efforts to improve and mature our democratic experience, but one thing is clear: Egyptians will never go backwards, nor be ruled against their will.

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A NEW GLOBAL TRADE CENTRE

Following the New Suez Canal's rapid completion, SCZone aims to position Egypt as a world-class hub for business, commerce, and industry

On August 6, 2015, President Abdel Fattah El-Sisi officially opened the New Suez Canal, just 366 days after launching the Suez Canal Corridor Area Project. The Pharaonic undertaking widened the world's pioneering man-made waterway – first built in 1874 BC to link the Mediterranean and Red Seas via the Nile – adding an extra 35 kilometres to the 164-km canal to permit two-way traffic at Ballah Bypass. Government projections hope to see the Canal's annual revenues more than double to reach \$13.5 billion by 2013.

The \$8.6-billion mega-project, funded by bonds bought by Egyptian companies and citizens, is designed to develop the Canal region's role in global

trade and three cities along its course: Ismailia, Port Said, and Suez. Other improvements include four tunnels under the Canal, for cars and trains, to be carried out by consortiums of overseas operators and leading Egyptian businesses, like Orascom Construction.

All the new infrastructure will anchor the complementary development of a services hub, SCZone, expected to attract investment across the economy, from logistics and ICT to industry and energy generation. With 100km² of logistics and port area and another 400km² of land for real-estate and industrial development, the SCZone is poised to position Egypt at the very heart of regional trade.

DAILY NEWS EGYPT

TELLING EGYPT'S STORIES TO THE WORLD

First published in 2005, Daily News Egypt (DNE) is an independent news source in English, online and in print,



"We are a microcosm of the Egypt that we aspire to"

Mostafa Sakr, Chairman, DNE

serving Egypt and MENA. DNE was relaunched in 2012, after being acquired by Business News for Press, Publishing and Distribution Company.

Despite what its Chairman Mostafa Sakr calls a "significant retreat" in Egypt's media marketplace in 2015, DNE is bucking

the trend. Last year, it made a profit for the first time; www.dailynewsegypt.com hit 10 million users and 30 million page views, a 25% annual jump; while its three million print copies reached 15 million readers. In 2016, it is targeting online increases in users by 50%, page views by 66%, and revenues by 20%.

"We have one of the most liberal outputs in this [region]," Sakr explains. "We are a microcosm of the Egypt that we aspire to, in terms of pluralism, creativity, freedom, and the rights of the marginalised, including women. Our papers shine with ideas, insights, and free visions. Our independence [also] allows us to discuss issues and news neutrally. I am proud to say readers will find honest news in our pages."

Egyptian Roots ... Global Reach

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Innovation Made Affordable

Property developer takes the long view

DMG/Mountain View builds homes and happiness for Egypt's rich and poor

Home to 90 million, Egypt faces a housing shortage affecting almost every segment of the market. Last December, Minister of Housing Mustafa Madbouly admitted Egypt needs a million new homes in the next five years just for lower-income families. As the population is projected to jump 33% by 2050, putting roofs over people's heads is a challenge for



"When people ask what business I'm in, I always say the business of happiness"

Ayman Ismail Soliman, Chairman & CEO, DMG / Mountain View

the country and an opportunity for property players.

"[We] Egyptians only utilise 6% of [our] land," notes Ayman Ismail Soliman, Chairman and CEO of DMG/Mountain View, one of

Egypt's leading developers. "Competitiveness, economic growth, and happiness hinge on our ability to expand to 14% by 2030 [and] 24% by 2050. The sector is very fragmented. The biggest players [only] control 2-3% of the market. The beauty is no monopoly exists."

Founded two decades ago, DMG is active in engineering and hospitality, in addition to building high-end residential and resort communities in Egypt's best locations. Its property development division, Mountain View, has completed or is working on nearly a dozen upscale developments: "Last year, we handed over three projects in East Cairo, two on the North coast, and two on the Red Sea," Ismail says. "This year, we will deliver three [more]. When people ask what business I'm in, I always say the business of happiness. We don't look at [it] as building homes. We want to create environments where people can be happy."

Ismail says Egypt's property sector is worth €3.5 billion



annually, but he believes growth must quadruple to satisfy the market: "Supply and demand are not in sync," he insists. "Supply is short of demand by up to 35% in the lower-income segment and, as you start to climb, that softens to 20% or 15%. The only area where [they meet] is the very high end, representing only 1% of the total market."

The government's social housing plan will cost €18.4 billion, funded from public coffers, but developers usually focus on more lucrative segments, serving middle- and high-income families and foreign buyers. The state currently profits from land sales to private firms and, under new rules, will provide plots for development in

exchange for an equity or cash share. DMG was the first private company to partner with the public sector: "I can't say it was an easy route, but we paved the way for others," Ismail declares.

DMG is already involved in CSR initiatives with NGOs like Maan, building over 3,500 housing units to replace slums, but, Ismail says, a bigger vision is needed: The Egyptian market needs a masterplan," he insists. "At the end of the day, the main component of real estate is land. The government needs to use [it] to attract investors and, in other areas, stabilise communities, even if it means giving land away. Sometimes, it must be used to generate more for the country."

SECON: CONSTRUCTIVE COOPERATION

Ground-breaking joint venture between Egypt's and Saudi Arabia's governments is reaching new heights, based on firm foundations

Built on four decades of cooperation between the Saudi Arabian and Egyptian governments, the Saudi Egyptian Construction Company (SECON) continues break new ground in Egypt's real-estate and tourism sectors. Established in 1975, SECON has expanded its portfolio to over 20,000 units, serving all kinds of clients across Egypt. The company started investing in tourism developments in 2008 and has registered strong growth in recent years.

After a €222-million capital increase at the start of 2015,

SECON targeted 60% annual profit growth last year. While the Saudis contributed their half in cash, the Egyptian authorities granted the firm 100 acres of land in New Cairo, New Damietta, and New Assiut. Work is planned to begin concurrently on three new projects worth €319 million, including a four-star hotel in the New Damietta project with around 100 rooms. SECON expects to deliver all three projects within just 36 months.

But SECON's biggest bet on Egypt's future is the €228-million



"If the real-estate situation is positive, the economic situation will be positive too"

Darwish Ahmed Hassanin, CEO, SECON

SECON Nile Towers: "Comprising two, 23-storey towers – one home to the latest addition to the Hilton portfolio in Egypt, the five-star, 256-room Hilton Maadi, and the

other 190 residential units, with hotel facilities upon the buyer's request – they should be finished by the end of 2016," says the company's CEO, Darwish Ahmed Hassanin. "This will be the first hotel owned by both the Egyptian and Saudi governments."

"It is our belief that Egypt will stabilise and move forward," Hassanin asserts. "The real-estate sector is the most important motor of the economy. If the real-estate situation is positive, the overall economic situation will be positive too."

Providing solutions to build value

Reliance Egypt diversifies to develop opportunities in promising sectors

Over the past decade, Reliance Egypt has diversified from trading commodities like cement and clinker, into mining, ready-mix concrete, solid fuel supply,



and waste management. In 2008, it began developing a logistics business—including port handling, storage, and transportation – to serve the cement industry, and has built up a fleet of 150 trucks in just three years. It has also purchased land near Ain Sukhna Port, on the

western side of the Gulf of Suez, for a new logistics hub and coal terminal.

The company has three divisions that work with markets worldwide: “Whatever is imported to Egypt is done through Reliance Logistics, [our] Egyptian company,” explains Magdi Kassabgui, its Chairman and CEO. “Dubai-based Reliance Cement Trading sources and trades outside Egypt. And Reliance Fuels, [another] Dubai company, is the vehicle we use for our international solid fuels activity.”

Reliance buys from Europe, the United Arab Emirates, and Asia, and sells to Africa, South America, and the United States, its CEO explains. Looking ahead, Kassabgui is bullish about Egypt’s prospects in the construction sector, thanks to the launch of mega-projects



“We are convinced the country’s fundamentals will lead to growth of the economy and high returns”

Magdi Kassabgui, Chairman & CEO, Reliance Egypt

nationwide and the expansion of the Suez Canal Economic Zone: “The finalisation of the project in just one year is a source of great pride for Egyptians,” he notes. “It will definitely contribute to GDP growth.”

The company is now expanding its logistics and building materials activities to provide a complete solution to the construction

market, which is set to rebound over the next few years thanks to massive public- and private-sector investment in housing and tourism. The company is also ramping up its waste-management business to serve cities like Alexandria, Cairo, and Port Said, where it plans to recycle refuse to produce renewable energy.

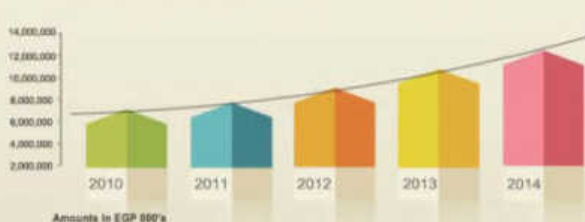
Reliance is persuaded enough about the country’s future prospects to have doubled its own investments in Egypt over the last 12 months, Kassabgui confirms: “This should be seen as a message to international companies that the private sector is playing a leading role in Egypt’s growth. The business climate today is much better than compared to previous years. We are convinced that the country’s fundamentals will lead to growth of the economy and, accordingly, high returns.”

BANK AUDI A GREAT LEAP FORWARD IN THE WORLD OF FINANCE

Total Deposits 23% CAGR



Net Loans 21% CAGR



EGP 000	2010	2011	2012	2013	2014	CAGR (%)
Total Assets	15,677,027	17,795,503	18,888,791	22,649,771	30,571,797	22%
Net Loans	7,202,881	7,916,304	9,455,033	10,903,163	12,779,165	21%
Total Deposits	13,715,297	15,697,040	16,217,670	19,772,523	27,182,541	23%
Paid in capital	1,123,437	1,123,437	1,337,025	1,543,359	1,843,243	10%
Net Income	174,614	127,491	251,070	371,208	444,656	33%

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Bank Audi

Building Egypt's and the Gulf's future

Family firm strikes balance between working for clients and on its own assets

Founded in 1943, Dorra Group laid its foundations in the construction industry and has grown over the last 70 years to become one of Egypt's leading privately owned corporations, with interests not just at home, but in United Arab Emirates, Saudi Arabia, and the Gulf Region. It remains a family-run company today, albeit one that employs 6,000 people regionally, active in the contracting and real-estate development sectors.

The Group has two divisions: the Construction and Reconstruction Company (CRC), which designs and delivers technologically advanced, turnkey building projects for all kinds of uses; and Dorra Developments, which develops, manages, and markets Dorra's own commercial, residential and tertiary-sector ventures. It also provides detailed know-how for the project development and delivery process.

"Construction still serves as the backbone of the company," explains Omar Dorra, the Managing Director of Dorra Developments, "but now shares the spotlight with our real-estate development and investment activities, which began in the early 1990s. We were the first developers in Egypt to introduce the concept of gated communities in the newly located satellite cities to the west and east of Cairo, which [marked] a new direction and era in the Egyptian housing market."

CRC, which is led by Mr Dorra's elder brother, Mohammed, has been involved in dozens of developments over the years, frequently in collaboration with joint-venture partners from overseas. Among its landmark projects are the 'First Residence Towers' on the Nile in Cairo, part of the Four Seasons Hotel, which houses high-end

residences and a premium retail arcade, built in partnership with UK's John Laing International. In recent years, however, a growing share of its portfolio has been built on behalf of other developers.

"From 2008 until 2012, Dorra Group was heavily involved in constructing 60-70% of [our] own developments in Egypt," Dorra notes. "Today a huge shift has happened and volume has grown, with only 20% being our developments and the remainder for clients, like the well-known Egyptian developer Palm Hills Developments and Diar Al Qatariya from Qatar. In both cases, we are their main contractor. The past two years have been a very good time for our contracting arm."



"The past two years have been a very good time for our contracting activities"

Omar Dorra, Managing Director,
Dorra Developments, Dorra Group

On the other hand, Dorra Developments has increasingly focused on retaining assets, rather than passing them over to clients once completed and moving on with the next project. Its Managing Director says: "We decided to take advantage of our competitive edge, as our own contractor, and are holding onto large segments of our developments. It's a long-term strategy that we feel is key in our Group's future performance, as well as growth initiatives we are eyeing for the Gulf Region."



Last September, Dorra Group broke ground on its latest Egyptian development, Capital Business Park in Sheikh Zayed City, in the Greater Cairo area. The €370-million mixed-use project features seven buildings, with retail ground floors and six first-class office levels, all offering easy access to the city centre. Its cutting-edge design and luxury amenities have attracted corporate clients of the caliber such as Porsche and Harley Davidson. The first tenants have already moved in, with around 70% in place by the end of 2016.

"We had to educate the market on the standard we were pioneering," Dorra notes. "People were aware there was a wide gap in the business environment in Egypt, in comparison with Europe, the US, and neighboring GCC countries. There was a clear organic demand we recognized some years ago. As expected with all conceptual designs, we faced resistance initially. But that is not the case today after leasing out Phase One of the project."

For Egypt, Dorra believes the next step is for private and public-sector players to work together to develop residential and commercial real estate in cities like Alexandria, Damietta, Mansoura, and throughout Upper

Egypt: "There is an insatiable demand there, far greater than Cairo," he insists. "These locations will be the future ground for developers to tap into. I can guarantee 200,000 units annually from my side, with the proper government backing."

Dorra Group has been venturing beyond Egypt's borders for three decades. In the past few years, it has won contracts as the partner of choice for high-profile projects across the Arab World. These include the rezoning and expansion of Masjid Al-Haram Mosque in Medina, Saudi Arabia, and the construction of the €1.25-billion Vendome Mall in Lusail City, Qatar, part of the country's drive to develop world-class leisure facilities to welcome the 2022 FIFA World Cup.

In Dubai, however, where the Group has been present since 2004, proprietary projects already account for around double the share of CRC's workload: "Our latest addition in Dubai is 'The Views,'" Dorra reveals. "It was designed by the UK's WATG and is one of our tallest and largest developments. It will offer 900 residential units over 60 floors, which will not only attract first-market buyers, but also stimulate the secondary market for investors."

Global contractor is back at home

Orascom Construction: coming full circle to build Egypt a brighter future

A multinational construction and engineering contractor, serving public- and private clients in the infrastructure, industrial, and commercial sectors, Orascom Construction is active across the Middle East and North Africa (MENA) region, as well as in the United States and the Pacific Rim. In March 2015, it spun off from OCI NV and is now a Dubai International Finance Centre company, listed on NASDAQ Dubai and the Egyptian Exchange (EGX).

Founded in 1950 by Onsi Sawiris, the patriarch of Egypt's wealthiest family, what would become the Orascom business empire started out as a small building firm. Nationalisation in 1961 led Sawiris to leave the country, first for Libya and then Saudi Arabia, before coming home in 1976. Orascom first opened shop overseas, in the US, in 1985 and, by 1990, had grown into Egypt's leading privately owned construction conglomerate.

When Onsi's youngest son, Nassef Sawiris, took over in 1995, he diversified into related businesses, like building materials and cement. By 1998, he consolidated and rebranded its interests as Orascom Construction Industries (OCI) and, a year later, launched



"We are now looking to invest in infrastructure, power plants, water, and wind" Osama Bishai, CEO, Orascom Construction

a €550-million IPO on the EGX, becoming the market's biggest listing overnight. While Nassef's brothers set up billion-dollar tourism and telecoms businesses, OCI built the tenth-largest cement producer worldwide, which sold for €11 billion in 2008, and moved into fertilisers.

After a fiscal dispute with the government led by deposed President Mohamed Morsi, OCI relocated to the Netherlands in 2013, via a buyout by OCI NV. It only returned to Egypt, following the arrival of office of President Abdel Fattah El-Sisi, in June 2014, as Orascom Construction, after demerging earlier this year. Today, Orascom Construction has come full circle, back to its roots in construction and the country of its birth, as one of the most visible

figureheads of the resurgent Egyptian economy under the Sisi administration.

Last November, after winning its tax appeal, Nassef Sawiris said Orascom would once again be making major investments in Egypt, a huge vote of confidence in the country's prospects that investors had been waiting for since 2011. Its first project, announced the same month, is a joint venture with Abu Dhabi's International Petroleum Investment Company for a €2.75-billion, 3GW coal-fired power plant, near El Hamarawein on the Red Sea.

"We are now looking to invest in infrastructure, power plants, water, and wind," confirms Osama Bishai, Orascom Construction's CEO, who has been with the company for the last three decades. "We hope that, in a few years, we have another portfolio of businesses with which we can create value for our shareholders. We are present in areas where infrastructure is underdeveloped: Egypt, Algeria, and Saudi Arabia."

In June, Orascom Construction completed the first, fast-track phase of the new West Damietta power plants two weeks ahead of schedule, adding 250MW of capacity. The plant will eventually

provide 500MW, while a second plant at Assiut will contribute 1,000MW. In the last two months, the company has already delivered 925MW, a significant share of the 30GW Egypt aims to add to the national grid by 2020.

But that's less than 10% of what will be produced by the world's largest combined-cycle, gas-powered plants, which Orascom Construction will be building as part of a consortium with Germany's Siemens, on behalf of the Egyptian Electricity Holding Company. Orascom will construct two of the three plants – with a combined capacity of 9.6GW – as part of a €8.2-billion energy deal that will add 50% extra to the nation's electricity supply.

"We have a good business model," Bishai insists, "which depends not only on our construction capabilities, but also on our ability to invest. We are focused on the things we do best and have a very good corporate finance team. That gives us a different angle compared to normal contractors. We have an investor mentality and create the best value for our shareholders. That is really our driver. We are proud of our quality, as our reputation is the only thing we have."

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Saudi Egyptian Construction Company (SECON)



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Housing the tourism project in The New Damietta City

www.secon-eme.state.com

Consistent Growth & Delivery

- 2005: Successful IPO and listing on the Abu Dhabi Stock Exchange, raising over \$ 1.1 billion
- 2007: Commenced operations in Egypt through the successful acquisition of the assets of Centurion Energy
- 2008: Started production from Khor Mor field in the Kurdistan Region of Iraq (KRI)
- 2009: Completed sale of 10% stake in KRI assets for \$370 million
- 2012: Start-up of the EBGDCO deep cut gas processing plant in Egypt
- 2013: GCA studies assess Khor Mor & Chemchemical assets in KRI at 52 Tcf estimated in-place volume
- 2014: Landmark Gas Production Enhancement Agreement signed in Egypt to substantially enhance production and fully recover outstanding receivables
- 2014: Average corporate production 69,000 boepd, 13% compound annual growth rate since 2007
- 2015: Projected completion of the Zora Gas Project, offshore UAE



Zora pipelay in progress January 2015

www.danagas.com



Dana Gas is the Middle East's first and largest regional private sector natural gas company established in December 2005 with a public listing on the Abu Dhabi Securities Exchange (ADX). It has exploration and production assets in Egypt, Kurdistan Region of Iraq (KRI) and UAE, with an average output of 68,900 boepd in 2014. With sizeable assets in Egypt, KRI and the UAE, and further plans for expansion, Dana Gas is positioned to play an important role in the rapidly growing natural gas sector of the Middle East, North Africa and South Asia (MENASA) region.

Telecoms pioneer rings the changes

OTMT: year of selling and buying sets stage for billionaire's next act

Naguib Sawiris had a busy year in 2015. The Chairman of Orascom TMT Investments (OTMTI) and Chairman and CEO of Orascom Telecom Media and Technology Holding (OTMT), among other roles, has been shifting the focus of OTMT



"We want to create an investment company in sectors with potential for growth and successful operations" Naguib Sawiris, Chairman & CEO, OTMT

away from traditional activities, like telecommunications and technology, towards a much more diversified investment profile.

Sawiris is the eldest son of Onsi Sawiris, who laid the foundations for the Orascom success story in the '50s, and the oldest brother of Nassef Sawiris, who leads Orascom Construction Industries (see page 6). His main investment vehicle, the Luxembourg-based OTMTI currently owns interests in eight companies, including 52% of OTMT. For its part, OTMT has added a number of new

acquisitions to its portfolio in the last 12 months and, according to its Chairman and CEO, plans to continue to do so in 2016 and beyond.

"OTMT was a purely telecom company, working in mobile, fixed-line, and internet operations," Sawiris explains. "I decided to convert [it] into a holding company, with investments in infrastructure, transportation, clean energy, logistics, financial institutions, retail, and real estate. We want to create an investment company in various economic sectors [where] we believe there is potential for growth and successful operations."

Sawiris started the year by selling OTMT's remaining stake in Mobinil, Egypt's first mobile telecom operator which he set up in 1998, to France's Orange in February. In November, he deconsolidated Koryolink, OTMT North Korean mobile network, after problems with Pyongyang. And, in December, OTMT's Lebanese operator, OTL, withdrew its Alfa network from a tender process to renew its mobile license, citing commercial reasons.

Meanwhile, OTMT set up O Capital for Energy in March to develop power projects across Egypt using alternative sources of energy and distribution. In September, it acquired financial



services firm Beltone Financial (see page 10) and, in December, bought 100% of CI Capital Holding, the investment banking arm of Commercial International Bank, with a goal to merging both entities and competing with the MENA region's leading investment bank, which has turned down two bids from Sawiris to buy stock since 2012.

And, in July, Sawiris pumped €35 million into Euronews, the Lyon-based multinational and multilingual television news network, to acquire 53% of the company via Media Globe Networks, another family-owned company: "[We] already had investments in the media," Sawiris says. "I own several television stations, newspapers, [and] two of the most important portals in Egypt and Italy. The opportunity came along and we considered the partnership would be beneficial for our relations in the media world. We believe in Euronews and believe it is a good long-term bet."

On a personal note, Sawiris also helped shepherd a couple of personal projects close to his heart a little closer to making a difference last year. Looking at the bigger picture beyond Egypt's borders, Sawiris offered to purchase a Mediterranean island from Greece or Italy in September,

to house refugees fleeing from conflict in North Africa and the Middle East. Then, in October, The Free Egyptians Party, set up by Sawiris after 2011's January 25 revolution as a popular bulwark against the Muslim Brotherhood, won the most parliamentary seats in the country's first ballot since President El-Sisi came to power in 2014.

"Egypt has fulfilled its promise to successfully conclude parliamentary elections," Sawiris confirms. "The Free Egyptians Party is liberal, democratic, secular, and believes in a free-market economy. It is a party that has chosen the social market economy of Germany as its model. We believe we will be very influential in Egypt's economic policy in the coming years. Our main goal is to [eliminate] poverty in Egypt in the next five years."

Sawiris invested close to €46.5 million in his home country in 2015 – "Pepsico and other multinationals have done the same," Sawiris notes – because he genuinely believes that now is the right time to invest in Egypt. Although he is the first to admit that challenges, like the pace of change and bureaucracy, can slow things down, he insists the nation possesses potential for profit that is second to none.



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Financial sector outperforms MENA peers and offers profitable opportunities

In its latest Top 100 Arab Banks ranking, published last October, The Banker commended the region-leading performance of Egypt's financial sector in 2015, after a few tough fiscal years as a result of political turmoil and the wide-ranging reforms of the banking industry that successive governments have pushed through during the last decade. The Financial Times-owned banking industry publication noted that Egyptian banks have grown assets, deposits, and profits ahead of their MENA peers, and provide much higher returns on capital.

Profitability was close to double the regional average, increasing by almost 25% over the period, while balance sheets swelled by more than 18%, driven by strong public- and private-sector lending. The industry-wide ROC

rate reached in excess of 38%. But perhaps the brightest news for the banking sector is the prospect of huge extra revenue streams that will be generated by the Sisi government's infrastructure mega-projects over the next few years, as well as significant scope to expand penetration rates among the unbanked. At present, just 10% of Egypt's 90 million people have a bank account.

BANK AUDI EGYPT

One of the leading institutions doing its best to serve the demands of the national market is Bank Audi Egypt, a subsidiary of the Beirut-based regional financial services giant, Bank Audi. The bank opened shop in Egypt just a decade ago, buying a local lender that had just three branches. After increasing its capital from the equivalent of €91 million euros



"If you want to do business and have high returns on your investment, this is the time to come to Egypt"

Hatem Sadek, Chairman & Managing Director, Bank Audi Egypt

in 2006 to €280 million in March 2014, Bank Audi Egypt had 37 branches at the end of 2015.

"We started when there were 58 banks and now there are only 38," recalls Hatem Sadek, Bank Audi Egypt's Chairman and Managing Director. "We acquired Egypt's smallest banking unit, with €43 million total assets. Today, we [have] assets of €4.4 billion and rank seventh among private-sector

banks. When we bought the bank it was making a loss of €10 million, but we are targeting a net profit of €69 million [for 2015]."

Since 2006, Sadek says that Bank Audi Egypt's loan portfolio has expanded from less than €14 million to more than €1.8 billion, while deposits grew from just €38 million to over €3.9 billion. The bank currently controls 1.65% of the domestic banking marketplace by assets and more than 1.87%, ranked by deposits, but has already embarked on an ambitious drive to expand its assets, profits, and market presence over the next few years.

"Our four-year strategic plan for 2015-18 forecasts our total assets will reach €8.3 billion," Sadek explains, "and net profits, which were €51 million at the end of 2014, to more than double [by 2018.] It's very challenging, given

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the environment and competition, but inspiring. By the end of 2018, we aim to have 60 branches. The key to success is achieving the right development balance."

Bank Audi's strategy is based on four cornerstones, Sadek says: strong management and skilled staff; a set of clear, well-aligned objectives and flexible business models, based on a deep understanding of targeted customer segments and the evolving marketplace; sound risk management and corporate governance; and the firm commitment of the bank's shareholders.

"If you want to do business and have high returns on your investment, this is the time to come to Egypt," Bank Audi Egypt's Chairman and MD believes. "We have geographic advantages as a base for the MENA region, huge local consumer demand, mega-projects, and private-sector partnership opportunities, as well as people willing to learn and work hard. The banking sector and, particularly, Bank Audi are ready and able to offer support."

BELTONE FINANCIAL

Established in 2002, Beltone Financial Holding was bought out last November by Egyptian billionaire Naguib Sawiris' Orascom Telecom Media and Technology Holding (OTMT), together with investment bank ACT Financial, in a deal worth €75 million.



In mid-December, Sawiris and Beltone made news again, when Sawiris made an offer to buy CI Capital, the investment-banking arm of Commercial International Bank Egypt, for €116 million, with a view to merging it with Beltone to create one of the key players in the MENA financial marketplace.

Beltone was set up by financial managers from across the Middle East and North Africa to offer a comprehensive portfolio of investment-related services to private businesses, public institutions, and high-net-worth individuals, not just across the MENA region, but further afield in Asia, Europe, and the US. The firm has four divisions, covering every aspect of the wealth-maximisation business, from asset management to investment banking, securities brokerage, and research. It also has a subsidiary that works out of the United Arab Emirates, as well as an office in Europe.

The firm has long been a pioneer in the market. Its asset

management arm is Egypt's largest, ranked by assets, with €3.7 billion under management. It introduced the first ETF and Money Market Fund in Egypt. And, over the past twelve years, its investment banking division has closed 52 transactions, worth a total of €11.6 billion.

"We are looking to expand our market share, through attracting more clients, preparing more research, getting involved in more investment banking deals, introducing new products, and acquiring more companies," says Bassem Azab, Beltone's CEO. "Our target for our brokerage business is to be number-one in the market [and] we are focusing on mergers and acquisitions in a very big way. We have a number of transactions we are working on right now."

After securing a license to manage XT-MISR, Egypt's pioneering exchange-traded fund (ETF), in 2014, Beltone is now planning to use the NASDAQ Dubai exchange to give the ETF greater exposure in the MENA region this year.

Meanwhile, prior to its purchase by OTMT, at the Reuters Middle East Investment Summit in November, the firm also renewed its commitment to a programme of investments worth €35 million in the Egyptian non-banking financial services sector and unveiled plans for four stock market flotations – including one in the hydrocarbons sector and two in consumer goods – in the first half of 2016.

ACCELERO CAPITAL

Established in 2012 by some of Egypt's smartest businesspeople, Accelero Capital is an innovative investment and management group with a track record in digital media, technology, and telecoms. Accelero's founders include serial entrepreneurs like Naguib Sawiris (see page 10) and Khaled Bichara.

"We are different because our team has operational experience; we are not from a banking background," Bichara notes. "We're very hands-on. If it's a company that doesn't know how to move from start-up to corporate, we've done that. Or if it's a big company that's not doing well, we know how to turn it around."

The firm is now turning its gaze to businesses that offer high-growth or turn-around potential, whatever the sector. Accelero has already diversified into education, transport and energy, and is "looking at tourism, food and real-estate," Bichara says. "We build opportunities to create value."

In December 2014, Orascom Telecom Ventures sold assets worth €177 million to Accelero, giving the firm its first Egyptian interests and bringing its



"Egypt could be 'the next big market'... You can do business internationally with successful outcomes"

Khaled Bichara, CEO, Accelero Capital

founders back to their roots. Accelero recently grouped the assets under a new entity, A15, an entrepreneurial company that creates digital products and technology brands. It focuses on opportunities for growing the digital world in the Middle East.

"Egypt is in a position to be 'the next big market,'" Bichara believes. "We have made a lot of money [here] and have proven you can do business in Egypt and internationally with a successful outcome. Come co-invest with us in the future of this country; one that has a great history and is looking at a bright future."

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Egyptian leader eyes global market

Pharco Pharmaceuticals is making cures accessible and affordable

According to BMI Research's latest Egypt Pharmaceuticals and Healthcare Report, the national drug-manufacturing industry was worth €3.8 billion in 2015, making it "one of the most attractive investment destinations in MENA." The report highlighted the large local market and Egypt's improved economic outlook in its positive analysis.

Most of Egypt's pharmaceuticals production is consumed 'at home', but innovative companies, like Pharco Pharmaceuticals, have entered into partnerships with global players to license cutting-edge drugs for the regional marketplace. Last November, Pharco announced a deal with San Francisco-based Presidio Pharmaceuticals to market the US' company's hepatitis C virus (HCV) inhibitor across Egypt and MENA. Pharco and Presidio also agreed

to perform a large clinical trial on all HCV genotypes, together with the Drugs for Neglected Diseases Initiative (DNDI), in 2016.

"Egypt has the highest prevalence of HCV worldwide," explains Dr Sherine Helmy, Pharco's CEO. "Between 7-10% of the population has HCV. Each patient costs €60,000 for the healthcare that he, and those he infects, needs. We have a 95% cure rate and have made it affordable. Our slogan is \$5 a day to keep hepatitis C away."

Pharco was founded in 1987 by Dr Helmy's father and, today, is the flagship of nine companies that make up Pharco Corporation. Collectively, they sell 514 million units a year, making them Egypt's number-one drug manufacturer, and export to 57 nations worldwide.

The firm also pioneered the manufacture of soft gelatin capsules

as a means of administering medicine in specific doses, a technology previously unused in Egypt: "This gave us an edge,"



"Our task is to make inexpensive, effective, and safe medicines, not only for Egypt, but for the world"

Sherine Helmy, CEO, Pharco Corp.

Helmy says. "Having a niche is good, so we started serving other pharmaceutical companies. We now produce for Glaxo, Novartis, locals like Sedico and EEPI, and public-sector companies like Misr Company for Pharmaceuticals."

Leveraging its expertise and reputation, in line with industry best practices, Pharco developed a dedicated facility to make antibiotics for the likes of Pfizer and BMS, another to handle hormones, and, Helmy notes, "started doing jobs that are not in the general manufacturing process." The corporation now has ten facilities owned by six subsidiaries and two trading companies to market its 500 product references. Since 2011 alone, Pharco has invested €58 million to build four new plants.

"We first take care of quality: our products and brands are customer-oriented and we have a very good understanding of the market," Helmy says. "Then, we do quantity; economies of scale and market penetration. Pharco's task is to make inexpensive, effective, and safe medicines, not only for Egypt, but for the world."

Building for the Future

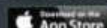
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Investing in constant innovation

Q&A with Dr Wafik Bardissi, Chairman and CEO, Minapharm Pharmaceuticals

On industry challenges

Despite political unrest over the last five years, the pharma sector has witnessed significant growth, driven by the large population and high demand. Consumption of innovative pharmaceuticals and complex recombinant or genetically engineered products, however, is incompatible with demand, due to the cost of sophisticated products and multinationals' interest in importing them, rather than transferring know-how. The lack of regulation on imports of finished products jeopardises the industry's medium- and long-term future. The government does offer incentives for Egyptian-manufactured products but, absent a strategy to encourage innovation, the importation of expensive finished products is likely to continue. Aside from the economic burden, this could limit access to modern medications that contribute to the quality and duration of human life.

On competitive advantages

From the start, we partnered with global leaders to manufacture and market branded products and advanced formulations. Capitalising on the success of [our] pharma business, we began genetic engineering early on, via a joint venture with a European biotech company that created an R&D team of young, talented Egyptian scientists and their German counterparts. We manufactured and launched complex recombinant products, in one case leading to a sixfold price reduction versus a similar import.

The introduction of a culture of innovation and R&D demanded strategic and intelligent managerial decisions, with alternating attitudes to risk.



"We have transformed into a global provider of intelligent technologies to the biotech industry"

Dr Wafik Bardissi, Chairman & CEO,
Minapharm Pharmaceuticals

Making innovation affordable required higher levels of challenge and change. We've led a 15-year transformation to organizational intelligence, so every stakeholder understands innovation is incomplete until it contributes to an affordable product. The complex, evolutionary nature of [our] business model posts ongoing risks to its sustainability.

On sustaining growth

In 2010, Minapharm acquired ProBioGen, the Berlin-based cellular engineering specialist and global provider of intelligent proprietary technologies. This attracted tremendous interest in Europe. For the first time, the buyer of an established, leading European biotech enterprise was from the emerging part of our world. Not only did this consolidate our biotech business and contribute to ensuring its sustainability, it provided a visionary cooperation platform to use German know-how to develop and market innovative, affordable medicines, including modern immunotherapies, for resource-limited companies. While synergy projects drive technology transfer between Cairo and Berlin, investments in new facilities in each city

aim to grow both businesses. Minapharm gives its German subsidiary free reign to strengthen its customer base, including large pharma players worldwide. From a regional technology-driven manufacturer of affordable complex medicines, Minapharm has transformed into a global provider of intelligent technologies to the biotech industry.

On quality systems

Our partnership network, including world leaders in the industry as licensors and licensees, has made a strong contribution to our quality systems. All our products and manufacturing technologies are embedded in a total quality-management system to assure compliance with international

ISO and GMP standards (EMA/FDA). Our history has much in common with Egypt's. We have been subject to the same stress tests and shown outstanding resilience. This in itself is a great achievement.

Establishing an Egyptian research community that specialises in process R&D technologies and has launched complex therapeutic proteins is a milestone in Egypt's pharmaceuticals history. [Our] business model has grown in an emerging market and is positioned globally. We have acquired intelligent biopharmaceutical solutions to focus on affordability. Viewing technologies for human medical needs as potentially intelligent is the management approach to implement our corporate vision.

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Building value for a better future

Reliance is a group specialized in bulk commodity trading (clinker and cement), logistics, fuel supply, mining and minerals supply, concrete ready mix production, shipping and waste management. Serving the cement industry has been the core of Reliance, by engaging international trading in the cement world, supplying raw material and solid fuel (coal & petcoke) to the industry, offering premium logistics services and port handling services through long term relationships with existing bulk terminals. Further strengthening our synergies, Reliance is a premium high quality ready mix concrete producer as well as a leading producer of dolomite aggregates and is investing in the waste management sector to produce high quality alternative fuels and RDF for the cement industry. Reliance is an aggressive business investor developing a track record of making successful investments in different fields and is establishing new business units to satisfy customers demands of the cement industry and beyond.

Founded in 1996, Reliance is headquartered in Cairo and has extensive operations throughout Egypt and has operations in Dubai and Singapore.



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Tapping into new revenue streams

Regional giant Dana Gas will commit millions to E&P in the next three years

To say the last 12 months have been hard on the hydrocarbons business undersells understatement. The price of a barrel of Brent, which already plummeted from over \$100 to under \$50 before the end of 2014, continued to fall throughout the year, languishing at less than \$40 as 2015 drew to an end. Natural gas fared little better, with the Million British Thermal Unit (mmBTU) value dropping to less than half its December 2014 peak by November 2015, although prices rallied in the last fortnight of the year.

Despite the state of global energy markets, Dana Gas, the Middle East's leading privately owned gas company has faith enough in Egypt and the Sisi administration to commit millions in exploration and production (E&P) in the country. Dana is based in the United Arab Emirates, but has



assets in Egypt and the Kurdistan Region of Iraq. Via its subsidiary, Dana Gas Egypt, it holds 100% E&P and development rights on fields in the Nile Delta and has a minority share in an LPG plant on the Gulf of Suez.

By the end of September 2015, Dana Gas Egypt had drilled its Balsam-2 and Balsam-3 wells onshore in the Nile Delta, where it discovered significant reservoirs of natural gas in 2012. Balsam-2 tapped into the longest gas column ever penetrated in the company's history, while Balsam-3 also hit a water-free gas reservoir and demonstrated the viability of the

western part of Balsam field. The company plans to spend €355 million over three years to roll out an ambitious E&P schedule. This includes drilling at least 20 development wells and up to six exploration wells, Allman-Ward reveals, as well as pipelines and improvements to existing plants.

"The important things for a private-sector investor are: respect for contracts, rule of law, and the ability to return dividends to the country of origin of investment," insists Dr Patrick Allman-Ward, the CEO of Dana Gas Group and former General and Country Manager of Dana Gas Egypt. "I have to compliment the government on the fact that, despite the upheavals since 2011, one thing has been absolutely rock solid: its commitment to production-sharing contracts (PSCs) signed with investors."

Meanwhile, the government has taken steps to settle its bills with international energy companies – €1.9 billion, equivalent to 40% of its debts, has already been paid – and contractors, providing a welcome boost to investor confidence. Dana Gas Egypt still has over €155 million outstanding on invoices worth €215 million, Allman-Ward notes, but the company has reached a deal that will let it recover the amount overdue via the sale of the state's share of incremental liquids from its future production.

"We hope that the recovery mechanism will start manifesting itself in 2016," Allman-Ward says. "This is a real example of how the Egyptian government has been both flexible and imaginative in looking for alternatives to the problem of overdue payments. Our commitment as a private investor to increase the capital that we are investing has, in return, given us a transparent mechanism through which we can recover and make

an acceptable return on those investments. It is, indeed, a win-win solution."

Another stumbling block, Dana Gas' CEO explains, that stymied development of the gas industry in Egypt, to date, has been balancing demand and supply as the population grows and living standards rise. Following a decision to fix prices for domestic use in the 1990s, production lagged behind demand as operators became increasingly reluctant to fund expensive offshore E&P work, due to low margins. But, last August, just weeks before the discovery of the Zohr superfield off the Egyptian coast, EGAS, the state-owned gas company agreed to raise the cost



"[Our] commitment as a private investor has given us a transparent mechanism to make an acceptable return"

Dr Wafik Bardissi, Chairman & CEO, Minapharm Pharmaceuticals

of gas from \$2.65 per mmBTU to as much as \$5.88 for new discoveries.

"The gas price had to be addressed to allow private investors to get a reasonable return on money invested," Allman-Ward points out. "Again, this shows new flexibility that has been demonstrated under the leadership of Sherif Ismail, first as Petroleum Minister and now as Prime Minister. He really started off the initiative to liberalise gas prices and to allow private-state partnerships to enter into, again, win-win solutions. That can only be a good thing for Egypt and for its people."

OIL AND GAS PLAYER VENTURES INTO POWER SECTOR

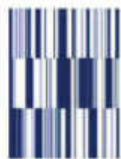
Edison is building Egypt's first-ever electricity-generation facility financed by private-sector funds and fuelled by its own gas

Last July, Edison, Italy's second largest gas company and part of the EDF Group, signed a joint venture with Egypt's Qalaa Energy to construct a 180MW, combined-cycle power plant by 2017. Powered by gas from Edison's Abu Qir concession, the facility will cost €100 million and will contribute to the country's goal of adding 5.2GW capacity annually until 2022.

Edison has been in Egypt for two decades, focusing initially on oil and gas E&P. It opened Egypt's first LNG plant in 2001 and, in 2009, won the license for Abu Qir. Its Egyptian portfolio now comprises nine

concessions. Edison has pumped €1.8 billion into Egypt, to date, mostly in the upstream hydrocarbons sector, but Abu Qir marks a new step for the company, and the energy industry, in the country.

"[It] is the first of its kind as a [power] project in which an upstream producer is investing," says Maurizio Coratella, Edison's VP Operations, Egypt and Middle East. "Our project does not rely on financial support from the government or any agreement to buy electricity the plant will generate, so we will market [it] privately on the domestic market."



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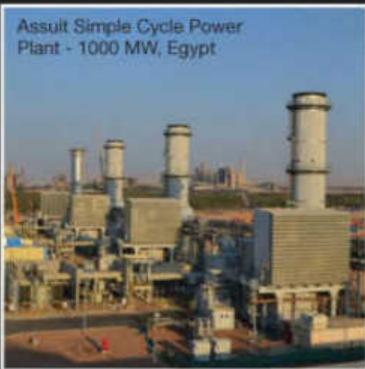
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STATE OF THE UNION

AS POLITICAL FIGURES, ECONOMISTS AND BUSINESS LEADERS MEET THIS MONTH AT THE WORLD ECONOMIC FORUM IN DAVOS, SWITZERLAND, *NEWSWEEK* ASKS WHAT 2016 WILL BRING FOR EUROPE AFTER A CHALLENGING YEAR

EUROPE WAS NOT sorry to see the end of 2015. It was a tough year—and, for the most part, Europeans bore it with resilience, adaptability and decency. The Greek debt crisis again threatened not just the European economy but global financial stability. Islamist terrorists struck twice in Paris. Britain's Conservatives won an election that essentially guaranteed the British people a chance to vote the country out of the EU in a referendum due to be held before the end of 2017. Russia lessened its involvement in Ukraine (good) but entered the war in Syria (not good). That brutal war, in a country a short plane and bus ride

from most European capitals, showed no sign of ending by year's end and continued to propel hundreds of thousands of refugees toward the relative safety of Europe. The continent has seen nothing like it since the 1940s. And yet it stands remarkably strong, if battered and concerned for the future.

On that long list of challenges to Europe's stability, only the threat of an economic meltdown seems to have receded to some degree. Refugees continue to arrive, despite the cold. The debate about whether Britain should leave Europe is intensifying. And it's hard to say exactly what Russian

President Vladimir Putin will do—in Syria, Ukraine or who knows where next.

In this issue of *Newsweek*, we look at the state of Europe, through essays by George Osborne, Britain's finance minister; Jens Stoltenberg, the secretary-general of NATO; and former British prime minister Tony Blair. Osborne lays out a case for EU reform, something he and Prime Minister David Cameron want to wrap up soon to help persuade reluctant British voters that staying in the union is in their best interests; Stoltenberg describes the threats facing the continent and how NATO is pivoting to address those challenges; and

Blair issues a call for unity.

For our cover story, Mirren Gidda writes about the managing director of the International Monetary Fund, Christine Lagarde, and asks whether Lagarde, who many believe has played a key role in steadying the global economy, will be offered a second term. One big obstacle to that: Two days after Gidda met Lagarde in Washington, a court in Paris ruled Lagarde must stand trial on charges relating to a long-running financial scandal.

What Lagarde, and Europe, will be hoping for most of all in 2016 is a respite—and some degree of resolution to the continent's great challenges.

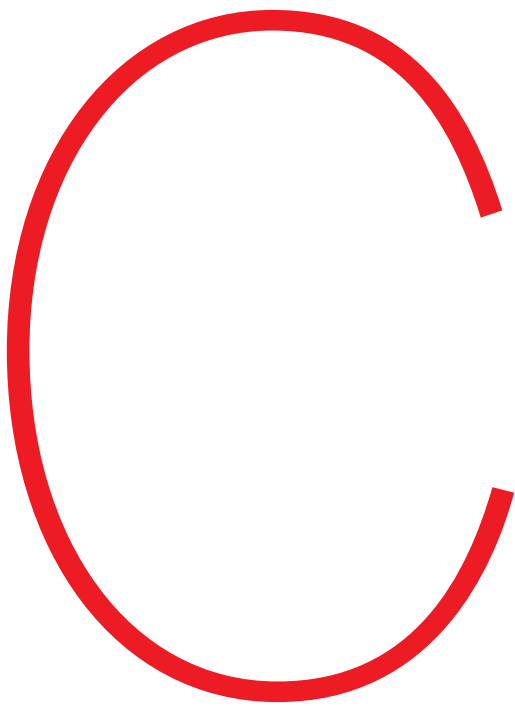
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THE TRIALS OF CHRISTINE LAGARDE

HAS A FRENCH COURT RUINED
THE CHANCES OF A SECOND TERM FOR THE
FIRST WOMAN TO LEAD THE IMF?

BY MIRREN GIDDA
PHOTOGRAPHS BY LEXEY SWALL





CHRISTINE LAGARDE, arguably the most powerful woman in the world, is six months away from the end of her term as managing director of the trillion-dollar International Monetary Fund, but when she talks about the organization it's clear she considers her work unfinished. "What I would like to see going forward in the institution is it being more agile, having the ability to harness development and leverage the knowledge which we have in this—which is huge—and make it available to members," Lagarde says during a recent interview with *Newsweek* at her office in downtown Washington, D.C. She describes her time at the IMF as "a roller coaster" but adds, "I am available [for a second term] if the membership decides so." The membership is the 24 directors who make up the executive board that chooses the IMF's managing director.

A lot of powerful people want her to stay. In October, U.K. Finance Minister George Osborne tweeted, "Delighted to support Lagarde for another term as head of IMF. She is—in both the English and French meaning of the word—'formidable.'" Many think Lagarde has helped keep the world economy on track in a very difficult period and steered the IMF toward a more activist approach to issues like gender equality, public health and the refugee crisis in the Middle East, Africa and Europe. If she wants a second term, they say, the world would be lucky to have her.

But two days after her interview with *Newsweek*, Lagarde received some unwelcome news from Paris, the city in which she was born—news that could help bring a swift end to her hopes for a second term, permanently damage her reputation

and put her in prison for a year. On December 17, the Court of Justice of the Republic ordered Lagarde to stand trial on a charge of negligence relating to her alleged involvement in a financial scandal that has dogged her since 2011.

In September, France's prosecutor-general, Jean-Claude Marin, recommended that the court drop the charge against Lagarde, but it ruled otherwise. Lagarde responded to requests for comment about the case through a spokesman, saying, "I have instructed my lawyers to appeal this decision, which I consider to be totally unfounded."

The court's ruling is not the only challenge to Lagarde securing a second term. Representatives from powerful emerging economies—the so-called BRICS nations of Brazil, Russia, India, China and South Africa—say it is time one of their own led the fund. (Many developing economies also object to the tradition of an American always leading the World Bank.)

Even in Europe, Lagarde's antagonists are growing in number. Greece and its allies have criticized the IMF's handling of that country's sovereign debt crisis, saying that it should not have intervened and that its early recommendations were unduly harsh on ordinary Greek citizens. In a study released in 2013, the IMF admitted it had underestimated the effect its recommendations of austerity would have on the Greek economy.

The emerging economies and Europe's increasingly popular leftists—on December 20, the left-wing Podemos party finished third in the Spanish general election and could yet help form a coalition government—portray Lagarde as a cloistered member of the European elite, concerned primarily with preserving the dominant capitalist system and bolstering the rich and powerful.

Her supporters say this grossly misrepresents a woman who has used much of her time in office to help the dispossessed and disempowered through actions that are not strictly part of the IMF's mandate. It is disingenuous, they say, to argue that the managing director of the IMF should *not* do all she can to keep the global economy as stable as possible; capitalism is the dominant economic model in the world, her supporters say, and it is her job to make sure it works as well as it can.

This argument will continue should Lagarde win a second term. If she doesn't, the fund has indicated that it will find a different sort of leader to replace her. David Lipton, the IMF's second-in-command, said in July 2015 that once Lagarde steps aside, her successor is likely to be a non-European and that the person's appointment will be "strictly merit-based."

The charges against Lagarde relate to a financial scandal known in France as *L'Affaire Tapie*. In 1993, French businessman Bernard Tapie sold his majority stake in the sportswear brand Adidas in order to join the Cabinet of former socialist President François Mitterrand as minister for urban affairs.

Tapie claimed that the then state-owned bank *Crédit*





“DELIGHTED TO SUPPORT LAGARDE FOR ANOTHER TERM. SHE IS—IN BOTH THE ENGLISH AND FRENCH MEANING OF THE WORD—‘FORMIDABLE.’”

Lyonnais had mishandled the sale, and he sued it. The legal dispute ran until 2007, when Tapie switched political sides and began backing the conservative Nicolas Sarkozy, who beat Ségolène Royal in the French presidential election in 2007.

Lagarde, who served as Sarkozy's finance minister, in 2007 approved the members of an arbitration panel that investigated the dispute between Tapie and the bank. A year later, the three-member panel went on to award Tapie \$435 million in compensation. Critics accused the Sarkozy government of giving favorable

treatment to one of its supporters, and the Paris court of appeal launched an investigation. On December 3, 2015, after years of legal wrangling, the court of appeal ordered Tapie to return the cash, with interest.

THE CASE AGAINST

LAGARDE'S LEGAL WOES are not the first for a managing director of the fund. Fellow French national Dominique Strauss-Kahn was forced to resign in 2011 after a hotel maid in New York City alleged that he raped her. (Lawyers settled out of court for an undisclosed sum.) The director before Strauss-Kahn, Spaniard Rodrigo Rato, was arrested in April 2015, seven years after leaving the fund, on charges of tax evasion and money laundering with regards to his personal finances. His case is ongoing.

The Tapie case has become a convenient tool for critics who say that Lagarde—born into a well-to-do family to a mother who taught Latin, Greek and French literature, and a father who was a professor of English literature—favors the wealthy and the privileged. Her tenure as finance minister in

a politically conservative government is another mark against her for Europe's leftists.

There is probably no population in Europe less fond of Lagarde than the Greeks. The IMF entered the Greek debt negotiations back in 2010 at the request of the Greek government and quickly became unpopular in the cash-strapped country. The initial bailout the fund suggested, which came with a package of pension cuts, wage freezes and tax increases, resulted in Greece losing a quarter of its aggregate income, said Domenico Lombardi, a former executive board member at the IMF.

Lagarde defends the IMF's role in the crisis. "For some people to say the IMF should not have been involved, I say let's look at the facts and the numbers and the threats that we had to the financial stability of the global economy at the time," she says. "I don't think it would cross anyone's mind that in 2010 we should not have supported Greece and we should not have responded to their request to the IMF to have support." At the

**SOME SAY LAGARDE
IS CONCERNED PRIMARILY
WITH PRESERVING THE
DOMINANT CAPITALIST SYSTEM
AND BOLSTERING THE RICH
AND POWERFUL.**

time, this request was met with horror among opposition politicians, among them the current left-wing prime minister, Alexis Tsipras, who worried publicly that the IMF would implement harsh cost-cutting measures.

When Lagarde took over as managing director, the IMF was already unpopular in Greece. She may not have helped its reputation when, soon after beginning her tenure, she gave an interview during which she said that ordinary Greeks were "trying to escape tax all the time."

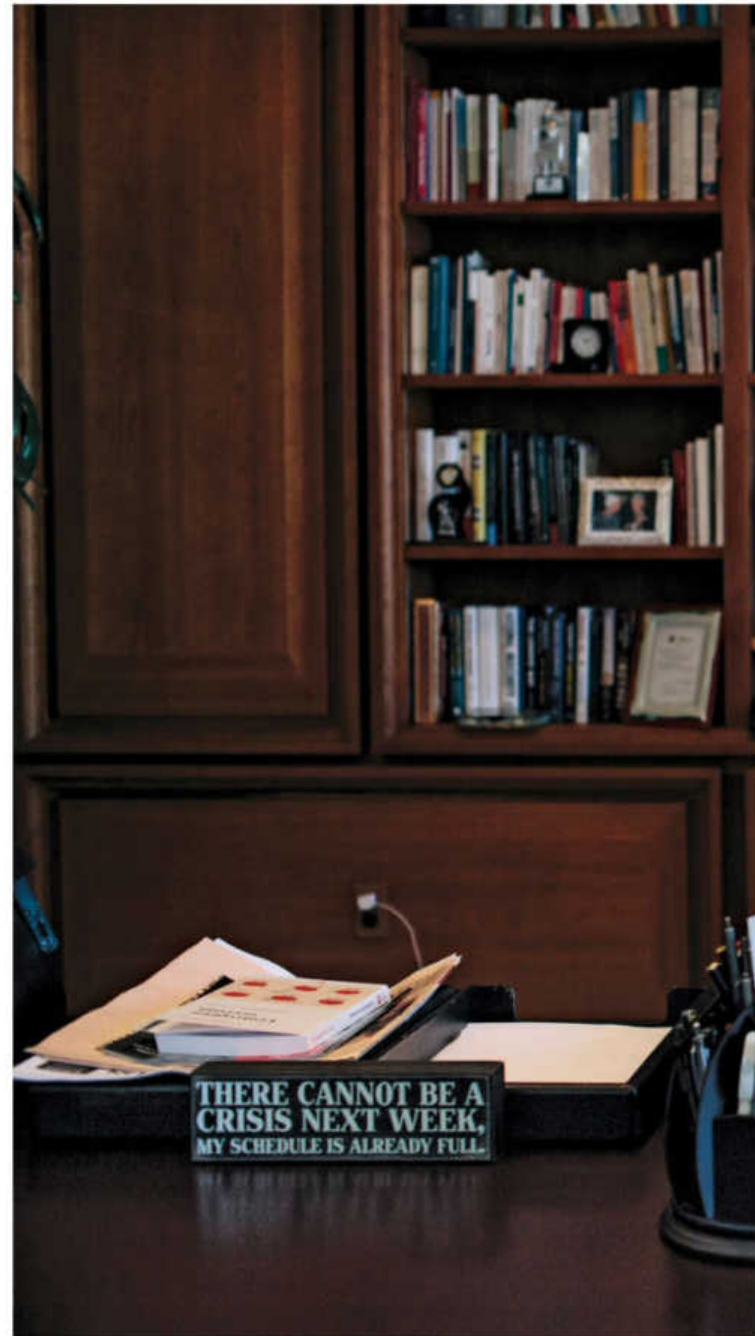
In riposte, many Greeks pointed to her annual tax-free salary of \$467,940 and tax-free allowance of \$83,760. The remark about tax dodging, they said, showed that she didn't care about Greece's problems and that she was out of touch with the financial challenges facing its citizens.

Lagarde also insisted that Greece needed to make significant reforms to its labor and pension markets to reduce its high levels of debt. Though she has also advocated debt relief for Athens, many Greeks say they no longer trust her to represent their interests.

Tsipras said in December that the IMF's

position on fiscal and financial issues was "unconstructive" and that from now on Greece's bailout program should be handled by European countries and organizations only. Tsipras has made it clear that he wants Greece to handle its debt crisis; as the leader of a country that's part of the euro-zone, Tsipras cannot be rid of the European Commission or European Central Bank, but he can try to push the IMF out of the "Troika"—a term for the de facto alliance formed by the three groups in the crisis.

A former Greek finance official, who asked to remain anonymous because he says he intends to publish his own



account of the financial crisis, has few kind words for Lagarde. “Lagarde has two hats—one is head of the IMF and one is that of a European politician who has not lost all ambition to return to the political scene in Paris, to run for president.” In 2012, Lagarde laughed off such suggestions, saying, “Presidential ambition is not an illness you catch in Washington,” a nod to Strauss-Kahn, who intended to run for president once he left the IMF. That second hat, the official charged, is at odds with her current

position and causes her to advocate policies for Greece that favor Europe’s big political players.

Lagarde’s friendship with German Chancellor Angela Merkel—another figure of scorn for many Greeks for her role in the debt crisis—further cements the impression among many Greeks that Lagarde is part of a Western European elite. (The pair regularly call and text each other about policy issues. Lagarde says she and Merkel also exchange small gifts from time to time. “[Merkel] is a music aficionado, and so am I,” she says. “She very often gives me CDs—beautiful recordings of music.”)





Lagarde's approach to the Greek crisis provoked some criticism from within the IMF as well. Paulo Nogueira Batista Jr., a former member of the IMF executive board who left in June 2015 to represent Brazil as vice president of the New Development Bank—an organization that the BRICS nations operate as an alternative to the Western-led IMF and World Bank—told *Newsweek* he felt conditions the IMF imposed on Greece were unduly harsh. In protest, he abstained from two votes on the debt crisis during board meetings and once left his seat empty in frustration at how the fund was managing the crisis with what he felt was little

compassion for the indebted nation.

But economists like Batista have another criticism of Lagarde's directorship—and that criticism speaks directly to who she is rather than what she has done. "She is the 11th European in a row to run the IMF—it is an outdated position to reserve the managing directorship for a European," Batista says. "If the IMF wants to be a 21st-century institution, it needs to have a truly merit-based system without this geographical preference. It cannot go on reserving the number one position for a European national." He says that a representative from one of the BRICS countries should lead the fund.

FRIENDS IN HIGH PLACES

LAGARDE'S CRITICS know that they're probably outgunned.

When *Newsweek* arranged the interview with Lagarde, her office suggested a call with U.S. Treasury Secretary Jack Lew, one of her many powerful supporters. He spoke in glowing terms about her commanding presence. “She can work through night after night and in the morning still approach both issues and people in a way that keeps them engaged and interested,” he says.

Not only does she have influential supporters in the United States and Europe—the world’s two biggest economies, if Europe is taken as a bloc—but she has developed good relations with China. In 2011, she made Zhu Min, a former deputy governor of the People’s Bank of China, a deputy managing director at the IMF. He was the first Chinese person to hold such a senior role.

On November 30, the IMF added China’s yuan to its basket of reserve currencies, joining the U.S. dollar, the British pound, the euro and the Japanese yen. A mixture of these currencies makes up the IMF’s loan payments to countries such as Greece. The yuan’s inclusion indicates the IMF believes China’s currency to be both strong and stable. Lagarde has also suggested that one day the IMF might relocate from Washington, D.C., to Beijing.

To her critics, these moves are more examples of her comforting the comfortable. But her allies say she uses her power and influence in other ways. José Viñals, who serves as Lagarde’s financial counselor and director of the monetary and capital markets department at the IMF, says his boss goes out of her way to promote young women and gender equality.

He recalled a cocktail party in 2014 in Santiago, Chile, at which a group of 15- to 16-year-old high school girls were helping out. “The first thing [Lagarde] does, she goes to the girls, and she spends five minutes speaking to them,” Viñals says. “And then she says, ‘Come, I’m going to introduce you.’” Lagarde took the girls to meet the assembled dignitaries, telling them that they could talk to Viñals about economics, if they wanted.

When she took over the fund, Lagarde gave much more attention to the issue of gender inequality. In October, the IMF released a report titled “Catalyst for Change: Empowering Women and Tackling Income Inequality.” It found that reducing gender inequality by 0.1 percent (as measured by the U.N.’s Gender Inequality Index) led to economic growth of

almost 1 percent. The results were not particularly surprising or original, but the paper showed the fund’s commitment to addressing the problem.

Lagarde downplays her role in the fund’s increased efforts in addressing gender inequality. “I think I was facilitating a process that was already underway,” she says. “Our economists are curious by nature, and when they identify a critical issue...they want to understand [it] better.” But, she adds, “I probably gave the visibility that was needed to encourage some to nose around and to see what else, besides the purely fiscal, could matter.”

Lagarde has also involved the IMF in humanitarian crises in ways that are new to the institution. When the refugee crisis began, the IMF, which is not mandated to give aid, had to find more creative methods to help out. In Jordan, for example, where the IMF already has a financial program to help and advise the government on economic policy, the fund, Lagarde says, “has brought into the program much more flexibility to take into account the fact that [Jordan is] spending money on refugees, to take into account the fact that they have refugee camps and massive infrastructure drains on the economy.” The IMF also relaxed Jordan’s deadlines for its fiscal targets and adjusted other elements of the program, such as financial disbursements.

The refugee crisis is the second major emergency Lagarde has led the IMF through. When the Ebola epidemic began in

THERE IS PROBABLY NO POPULATION IN EUROPE LESS FOND OF LAGARDE THAN THE GREEKS.

West Africa in 2014, medical aid agencies began sending staff to the region. Given that the epidemic was primarily a health emergency, the IMF, Lagarde says, had no real cause to get involved. But she decided the fund should intervene. “We harnessed the goodwill in this institution; we put our thinking hats on and found all available trust funds that we had that could be re-engineered in order to address that situation,” she says. “We were the first one to put cash in the banks so that [the Liberia, Guinea and Sierra Leone governments] could pay doctors, nurses and people in order to address the disease.”

With the Ebola epidemic largely over, Lagarde is hoping the fund will respond to future emergencies in a similar way. But her time for developing the fund’s involvement in humanitarian missions may be fast running out.

Lagarde is expected at this month’s World Economic Forum annual meeting in Davos, Switzerland, a gathering of economists, business leaders and political figures. The goal of the meeting is, in the words of WEF founder and Executive Chairman Klaus Schwab, to improve the state of the world. But as the delegates discuss the threats facing political stability and the global economy in 2016, they will know that one of their most powerful colleagues has a very personal battle ahead of her in the coming months: fighting for her career—and her freedom. ■

DAVOS CONTINENTAL SHIFTS

LEADING FIGURES IN EUROPE ARGUE FOR
A WILLINGNESS TO REFORM, A RENEWED COMMITMENT
TO DEFENSE AND A STRONGER UNION

PREPARING FOR THE WORST

NATO IS BOLSTERING ITS EASTERN DEFENSES AND FIGHTING TERRORIST ORGANIZATIONS

TODAY, WE ARE facing our greatest security challenges in a generation. In November, we stood together in a minute of silence across Europe for the 130 victims of the horrific attacks in Paris. The killers targeted ordinary people enjoying life on a Friday night in one of the world's greatest cities. Just weeks later, 14 Americans were killed in San Bernardino, California, as they came together at a holiday party.

Such attacks are meant to terrify us. But they will only strengthen our resolve to defend our values and our open societies. This is not a fight between Islam and the West. It is a fight between extremists and those who believe in the values of freedom. We must remember that most of the victims of the barbarism of the so-called Islamic State militant group are Muslims, and those on the front line fighting it are Muslims.

A defining event of my tenure as prime minister of Norway was the killing of 77 people, many of them teenagers, on an island summer camp. This was the worst atrocity in our country since World War II. And it was carried out by a white Christian. Yet we did not blame all white Christians for it. And we resolved to respond with more democracy, more openness and more humanity—but never naiveté.

Terrorism is not the only challenge to our security and to our values. And every day, we see how interconnected our security is—how problems in one part of the world affect people in another. When Russia illegally annexed Crimea and began its campaign to violently destabilize eastern Ukraine, it became the first European country to take part of another by force since the World War II. Russia has now

FOREWARNED: NATO has more than doubled the size of its Response Force to over 40,000 troops, which includes the new Spearhead Force.

entered the war in Syria on the side of President Bashar al-Assad, complicating matters still further. I would like to see Russia playing a constructive role in the fight against ISIS, our common enemy.

So the challenges we face are complex and multifaceted, and our response must be equally so. NATO is playing a key role.

First, NATO is strengthening its collective defense. It has increased its military presence in Central and Eastern Europe. It has more than doubled the size of the NATO Response Force to over 40,000 troops. At its core is the new Spearhead Force, ready to deploy within days. NATO is setting up eight small headquarters across the region to support planning, training and reinforcements. NATO is doing what is necessary to stay strong and keep its people safe. There is no contradiction between having a strong defense and being open to dialogue.

Second, NATO is at the forefront of the fight against international terrorism. The aim of its biggest-ever operation was to deny safe haven to international terrorists in Afghanistan. NATO developed the Afghan security forces from scratch into a highly trained force of over 350,000 troops, and it continues to work tirelessly to help Afghanistan tackle the root causes of extremism.

NATO is also training Iraqi officers in areas such as countering roadside bombs, de-mining, cyberdefense and military field medicine. It is working with Tunisian intelligence and the country's special forces to fight terrorism, and NATO stands ready to support Libya when the situation allows. And it is

BY **JENS
STOLTENBERG**
Secretary-General
of NATO



supporting Ukraine, Moldova and Georgia to better defend themselves. NATO supports states that are at risk from internal or external pressure, because prevention is always better than intervention.

In Iraq and Syria, all NATO allies are taking part in the global coalition to degrade and destroy ISIS. They have agreed to additional assurance measures for

**NATO'S NEW HIGH-READINESS
SPEARHEAD FORCE IS READY
TO DEPLOY WITHIN DAYS
TO WHEREVER IT IS NEEDED.**

Turkey, and NATO will continue to enhance Turkey's own air defenses. NATO fully supports all efforts to find a political solution to the conflict in Syria, including a political transition and democratic elections.

Those most affected by conflict and terrorism are often those most determined to continue living a normal life. This is not a decision that can simply be taken by governments or parliaments. It is a decision being taken by millions of people in all NATO countries: to stand in unity and to live their values every day.

CHANGE WOULD DO EU GOOD

BRITAIN'S CHANCELLOR OF THE EXCHEQUER ARGUES THAT ALL MEMBER STATES WOULD BENEFIT FROM MODERNIZATION

AS WE LOOK FORWARD to this year, the European economy can again expect solid if unspectacular growth. But this is cause for, at best, muted celebrations given the troubles on the horizon—stock market falls around the world, the slowdown in China, deep problems in Brazil and in Russia, and increased tension in the Middle East.

We can and should respond positively to these troubles, but we must recognize that in themselves they are not the cause of the EU's underpowered growth. The causes and solutions are much closer to home. In recent years, while fire-fighting the euro-zone crisis, the EU has not done enough to make itself competitive and a source of jobs and growth.

This is what many of the key U.K. proposals for EU reform are about. We want the EU to rekindle its commitment to economic prosperity. This will benefit all member states.

Of course, EU reform must be built on action taken at home by each member state. The U.K. has been focused on its own reform agenda and long-term economic plan. By making tough decisions to stabilize the

public finances, cutting business taxes and promoting a more dynamic economy, Britain made itself the fastest-growing major advanced economy in 2014. The International Monetary Fund forecasts the U.K., along with the U.S., will have led the pack in 2015.

But reform must come from the EU itself. I believe there are four things the EU needs to do to make itself more competitive and drive its economies ahead.

First, complete the single market in digital goods and services. The European Commission has recognized this, and last year it published several very positive papers on strengthening further the single market. This is welcome; we now need to see these plans translated into action.

Second, the EU must cut business red tape. This area has also seen some tangible results, with the new commission reducing the flow of regulatory



INK ALIKE: European Commission President Jean-Claude Juncker, right, and Vietnamese Prime Minister Nguyen Tan Dung celebrate signing a free-trade agreement between Vietnam and the EU.

proposals by 80 percent. The U.K. and 18 other member states recently wrote to commission First Vice President Frans Timmermans calling for further action to curb excessive regulatory burdens. This means the introduction of a new regulatory burden-reduction target in order to cut the stock as well as the flow of red tape.

Third, the EU must step up its efforts to secure trade deals with the rest of the world. Again, there have been a number of very welcome recent developments: the European Commission's ambitious trade strategy, the December 2015 conclusion of negotiations for an EU-Vietnam Free Trade Agreement and the World Trade Organization deal in Nairobi, as well as the ITA II deal that eliminates tariffs on information technology products that account for over \$1.3 trillion worth of trade per year (around 7 percent of

total global trade). But there is much more to do, in particular agreeing to the free trade deals currently under negotiation—including the Transatlantic Trade and Investment Partnership.

Fourth, finally and most crucially,

WE WANT THE EU TO REKINDLE ITS COMMITMENT TO ECONOMIC PROSPERITY.

the EU needs to fix the relationship between those member states in the single currency and those outside so that the eurozone is able to make the reforms it needs to strengthen the governance of the euro, while protecting the interests of countries, like Britain, that have not joined.

That is why, as part of its EU renegotiation, the U.K. has proposed a set of principles to guide the relationship between euro ins and outs in a way that meets the needs of all. We have seen examples in which we have worked together to find mutually acceptable solutions. The deal secured this summer that enabled the eurozone countries to provide short-term assistance to Greece through the European Financial Stabilization Mechanism, while guaranteeing that there would be no financial liability for euro outs, is just one example.

We need a stable and sustainable system of governance, one that enables us to avoid repeated and difficult arguments over the same sorts of issues, and one that means the euro outs can support the eurozone in making the lasting changes it needs rather than stand in the way.

The key point is that this new economic governance can benefit all, ensuring the EU can move forward with reform to complete the single market while the eurozone moves forward with completing the single currency. This would provide security to all euro outs that their interests will be fully protected.

Such a settlement can provide a basis for greater transparency and trust, allowing the EU to move forward to tackle the challenges it faces in a spirit of mutual cooperation and is fundamental to reforming the EU more generally.

All Europeans need the reassurance that the EU is committed to reform. They need assurance that it is committed to democratic accountability and to boosting jobs and growth. We must all work together to create an EU that works for all its members, whether inside or outside the eurozone.



BY **GEORGE OSBORNE**
U.K. Chancellor of the Exchequer



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ARMS LINKED: The times when Europe unites, such as the climate change summit in Paris, or the show of solidarity after the Charlie Hebdo massacre, left, prove that there's strength in numbers.

LET'S STAY TOGETHER

EUROPEAN UNION MEMBERS WOULD WEAKEN THEMSELVES BY GOING IT ALONE

EUROPEAN UNITY has never been more important, and never more obviously in the interests of the countries in the European Union. Parts of the right want to break up Europe on the basis that it is a bureaucratic conspiracy against the nation-state. Parts of the left regard it as a capitalist conspiracy against workers. Both take every challenge Europe faces to heap abuse on the European ideal, but no challenge Europe faces is more easily faced by nations that stand alone—not security, not refugees and not economic malaise.

The reasons that gave birth to the European Union 60 years ago have a new and added relevance today. The global order is shifting east. China and India both have populations more than double that of the EU. The population of the United States is already over 300 million and growing. If individual European nations like Britain want to play a role in global decision-making—and if Europe wants to keep its influence—they can do it only through the heft of Europe.

The way Europe worked together recently under the leadership of President François Hollande of France in agreeing on a plan of action on climate change is an excellent example of how a common approach in Europe can work.

Despite the euro's travails, the commercial market in Europe is still the largest in the world. It is true that Europe and its market urgently need reforms, and some of them will be painful. But it is also true that

even if any country were to opt out of Europe, those reforms would remain necessary. If European countries stay together, the reforms can be done within a trading area that offers huge opportunities.

In the field of security, the way forward is for European countries to work more closely together, not pull apart. The challenge of radical Islamism should provoke greater cooperation across European nations' borders. The terrorists are planning their outrages without regard to international borders.

I would argue that in the medium term, there will be a growing requirement for Europe to build defense capability. That force would not supplant NATO but would have the ability to take military action when Europe's security is threatened and the U.S. may decide not to be involved.

There are numerous areas for further cooperation. In energy, the benefits of Pan-European coordination are clear. A common grid, for example, would cut energy costs dramatically for consumers. In higher education there is the potential to use European centers of learning to the benefit of the citizens of Europe. Likewise in art and culture.

There is a reason why, around the world, regions are coming together. Take ASEAN, which will evolve into a way for Southeast Asia countries to have the political and economic weight to protect their interests. The African Union is a far more effective body today than even a decade ago, especially in peacekeeping. South America is learning the same lesson.

All of these groupings are very different from Europe. Europe—partly because of its history—has integrated faster and deeper than anywhere else. But the basic principle is the same. The world is changing. New and vast powers will have the capacity to dominate. Smaller nations—and this means anyone with fewer than 100 million people—have to leverage their geographic relationships to maintain weight.

None of this means Europe does not have significant political challenges. At points, integration has happened too fast. The single currency was motivated by politics but expressed in economics, and it is now having to adjust (though not many countries actually want their own currencies back). The bureaucracy of Europe can be frustrating—but so can those of the nation-state.

Europe has a 21st-century rationale of collective power every bit as strong if not stronger than its 20th-century rationale, which was to maintain peace. This is a moment for the countries of the European Union to bind tighter together, rather than allowing those who are forever looking backward to break the union asunder. ■

BY **TONY BLAIR**

Former Prime Minister of Britain

Newsweek

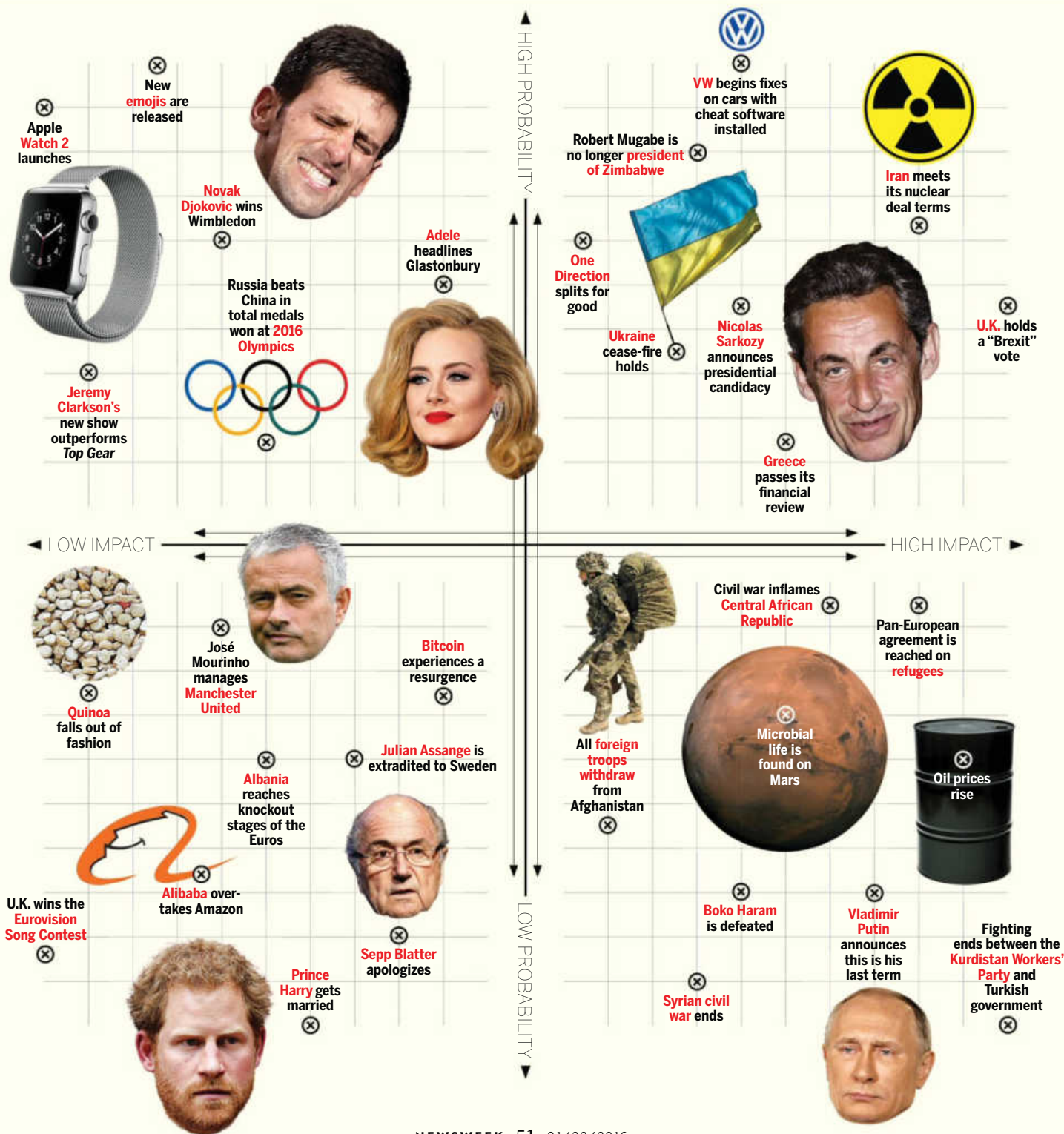


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NEWSWEEK LOOKS AT THE YEAR AHEAD



CLOCKWISE FROM TOP: REUTERS; GLEB GARANICH/REUTERS; FRANÇOIS LENOIR/REUTERS; OMAR SOBHANI/REUTERS; NASA; NICHOLAS EVELEIGH/ALAMY; RIA NOVOSTI/REUTERS; SIPHWE SIBEKO/REUTERS; RUBEN SPRICH/REUTERS; ALIBABA; REUTERS; DAVID MERCADO/REUTERS; DANNY MOLOSHOK/REUTERS; OLIVIA HARRIS/REUTERS; CHARLES PLATIAU/REUTERS; APPLE

A photograph of a man and a woman sitting against the trunk of a large, textured tree at night. The man, on the left, has a beard and glasses, wears a red V-neck sweater over a white shirt and light-colored pants. He is holding a lit cigarette in his right hand. The woman, on the right, is wearing a red headscarf and light-colored pants, and she is leaning her head against the man's chest. They are sitting on the ground, which is covered with dry leaves and grass. The background is dark, suggesting a nighttime setting. The lighting is warm, coming from an unseen source, possibly a campfire or a lantern, casting a glow on the tree trunk and the subjects.

Somar Kreker and his sister Lubna sit on the Turkish side of Turkey's border with Greece. They and three other members of their family waited there for a week for the land crossing to reopen. They were among thousands of refugees imploring the Turkish police to let them cross. Kreker and his family then decided to make the more dangerous route to Greece, via boat.



DAVOS THE NEW EUROPEANS

THOUSANDS OF MILES FROM HOME,
EUROPE'S REFUGEES ARE STARTING TO
MAKE NEW LIVES FOR THEMSELVES

BY MIRREN GIDDA
PHOTOGRAPHS BY ALESSIO MAMO

IN THE GERMAN TOWN of Mosbach, Somar Kreker, a 27-year-old Syrian refugee, has finally found a place he can call home. In October, Kreker, his two sisters and their two cousins made the perilous journey to Europe, taking a month and a half to reach Germany from Istanbul. Their journey then took them to Greece, Macedonia, Serbia, Croatia, Slovenia, Austria and finally Germany. They went by train and by bus and on foot—through heat and cold, accepting food from aid organizations and facing hostility from some of the police they encountered in the Balkans.

Kreker and his family are among well over 1 million refugees who have come to Europe in 2105. They have fled war and economic hardship in countries across Africa and the Middle East in the hope of finding safety.

Italian photographer Alessio Mamo accompanied Kreker, his sisters and their cousins for much of their odyssey. The photographer first met Kreker in August 2015 at a refugee camp in Jordan. It was there, the following month, that Kreker received the call from his sisters, who were still in Syria, asking him to take them to Europe.

As they crossed border after border, the family members were constantly afraid of being detained—and yet their spirits remained high. “I thought, OK, we’ve done it, we’ve arrived,” Kreker says, speaking by phone from Germany about the moment their boat touched the Greek shoreline. The eldest of the group, he became its de facto leader, determined to reach his brother Mousab’s house in Schwäbisch Gmünd, southern Germany.

The siblings’ reunion was tearful—Kreker had not seen his brother since Mousab left Syria a year earlier. The chicken and rice Mousab cooked for the famished travelers was both a taste of home and reminder of all that they had left behind.

Kreker, his sisters and his cousins now live in Mosbach, which is about 37 miles from Heidelberg in southwestern Germany. Like so many refugees, they are in limbo, waiting for residency papers and unable to work or study until the permits arrive. “I miss my mother and father in Syria,” Kreker says. “There’s little to do here, but we have hot water, we have electricity, and we are safe.”

Kreker and his sister Salsabil eat canned food and wait for sunrise in a camp in Macedonia. When the sun comes up, they will leave the camp, which sits close to the border with Serbia. Ahead lies a long walk along the train tracks, and Kreker wants to walk in daylight to make sure his family is visible when trains thunder past.



Razan Arafah and her cousin Lubna Kreker have an eye-opening first trip to an Austrian supermarket. For the first time since arriving in Europe, the pair were free of police harassment, and food was plentiful. "They were so happy, because they could buy anything," Kreker says. "Austria was the best."





As he heads for the Serbian border, Kreker looks out of the window of the train the family has taken from Macedonia to Serbia. He remembers thinking, "OK, in two days I'll be in Germany; the rest will be easy." He still had nine days of travel to go, but the worst was over.



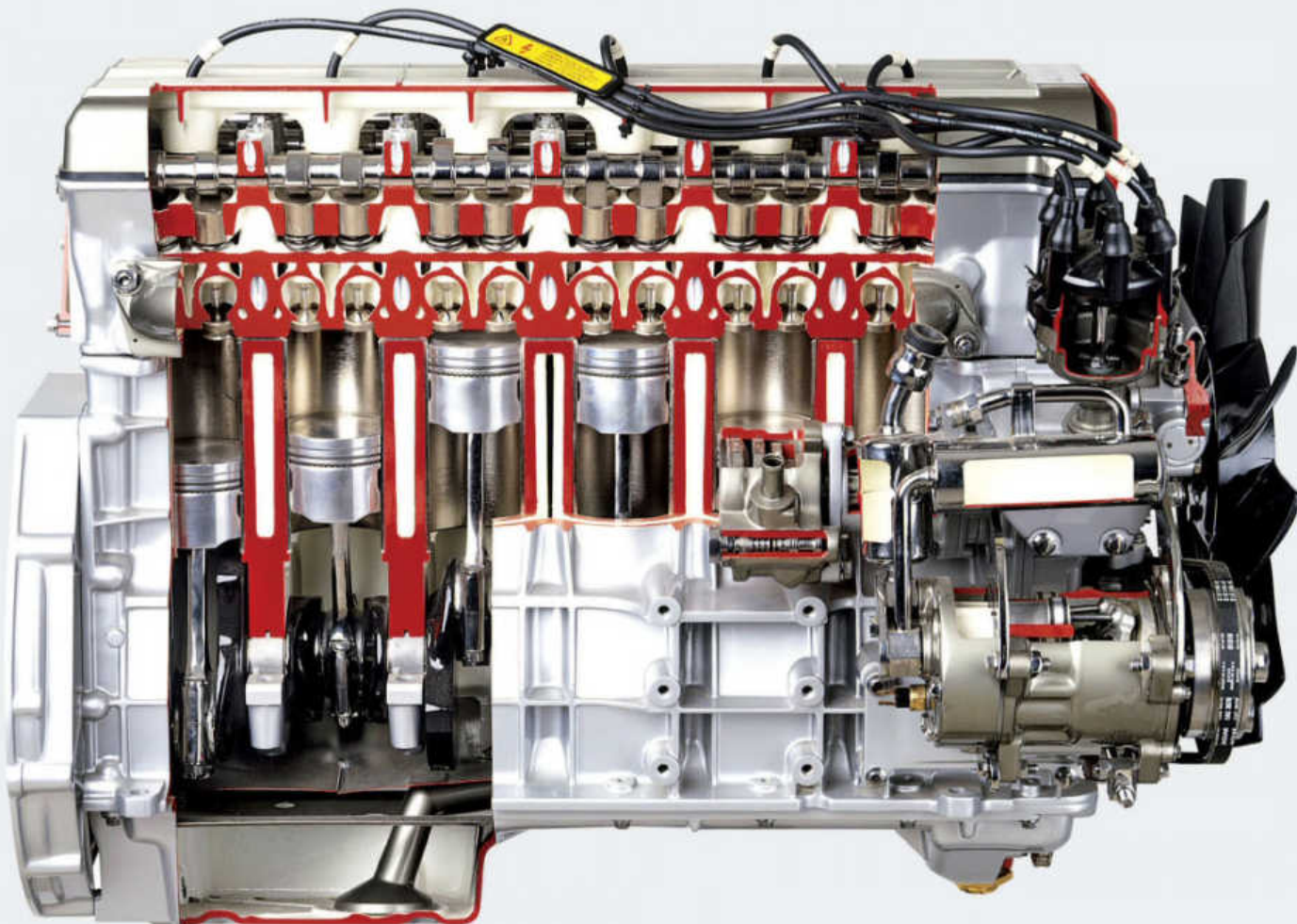
▲ Kreker looks on as another refugee shows him how to buy a ticket for Schwäbisch Gmünd, where his brother lives. Once in Germany, it took Kreker two days to find his brother. His sisters, he recalls, “were so tired and disappointed.” He was afraid the German police would send him and his family to a refugee camp.



Kreker stands at a viewing point in a park in Schwäbisch Gmünd. To his left is his cousin Essam Arafah, with whom he traveled to Germany, and to his right is his brother Mousab. "I thought it was so pretty. I was so excited to see the old towers, the old castles," he says.

From left, Khalil Saleh, Essam Arafah, Razan Arafah, Salsabil Kreker, Lubna Kreker, Somar Kreker, Ghalia Sale (Mousab's wife) and her brother Mohammed Saneh dig into a meal at Mousab's house. Before he arrived, Kreker called his brother. "We need food. We need salad," he said. Two weeks of living off canned and boxed goods had left the family craving a home-cooked meal.





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SOUPED UP: Engine systems that deactivate cylinders to conserve energy have been around since the '70s. But Tula's dynamic skip-fire is the first to constantly rotate which cylinders are firing.



NEW WORLD



INNOVATION

AUTOS

WILDLIFE

GENES

ENVIRONMENT

SPACE

GOOD SCIENCE


FIRING ON SOME CYLINDERS

Inexpensive engine software could improve gas mileage in your old car

THE MASSIVE 6.2-LITER V-8 engine in the white 2010 GMC Yukon Denali does exactly what you'd expect when you step on the gas: It moves. It does the same when you're climbing up or speeding down a hill, or when you cruise along miles of beach at 50 miles per hour. All this would be unremarkable if it weren't for the complicated dance happening under the hood.

Tula, a Silicon Valley startup, modified the truck so that its engine can now choose which of its cylinders fire and when, conserving energy with no noticeable loss of power—a technology the company calls “dynamic skip-fire.” The Denali uses every bit of its 403-horsepower engine to get up to 60 mph, but once it's there, the car needs a lot less to keep moving—something closer to 30 HP. Imagine making an omelet, says James Zizelman, a managing director at Delphi, a company that helped outfit the Denali. You probably don't need more than three eggs, right? But, says Zizelman, “in most cars, you're pouring out parts of eight different eggs to make a three-egg omelet.” In other words, there's a lot going to waste. “This

technology lets the car use just what it needs,” he says, by constantly changing which cylinders are firing. The result, Tula says, is a 15 to 20 percent fuel gain without any major engine changes.

In August 2012, the U.S. government mandated that the average consumer vehicle get 54.5 miles per gallon by 2025. Right now, most new cars and trucks in the U.S. average just 24.3 miles per gallon. While electric cars can help that average, the combustion engine isn't going away any time in the next decade. Car companies will probably get to 54.5 by making a lot of tweaks to their fleets, like adding more turbochargers (which increase efficiency by forcing extra air into the engine) and designing engines that stop at red lights. A software solution, like Tula's, would be attractive because it's cheap—estimated to be just \$350 for the improvement to that Denali—and means car companies could continue to use their current engine designs on future car models. Delphi and Tula say they are in discussions with several major auto companies in the hopes that dynamic skip-fire will be in a production car by 2020. 

BY
**GRANT
BURNINGHAM**
 @granteb

DAVE RUDKIN/DORLING KINDERSLEY/SCIENCE SOURCE

THE ICEBERG HUNTERS

Intrepid mariners are selling thousands-year-old ice to water bottlers and makers of high-end vodka

ICEBERGS have many ways to kill a man. They can suddenly roll over, bust apart without warning and hide, invisible in the dark, and then sink unsinkable ships. They're volatile, dangerous and often larger than anything man has built. But they apparently make great vodka.

I think about the *Titanic* as I sip a thimble of Iceberg brand vodka, poured from a bottle with a blue-and-white rendering of its namesake on the label. Vodka is about 40 percent alcohol and 60 percent water, so over half the bottle in front of me is water plucked from an iceberg. Water that fell as snow tens of thousands of years ago—long before the Industrial Revolution and long before the industrial pollution that now swirls in the air nearly everywhere. I'm not a vodka person, but this one seems smoother than most. I'm not sure if that assessment is coming from my palate or from my romantic mind, which very much likes the idea of drinking something made from ancient water stored in massive, heart-breaking majestic icebergs.

I'm not the only one smitten by these monoliths. In Newfoundland, whence the iceberg water for my vodka came, iceberg tours are big business, while iceberg water itself, in plain bottled form and for use in high-end vodka, is a small but growing industry. Canadian Iceberg Vodka Corp. produces around 200,000 cases a year, up from the few thousand cases 20 years ago, says President and CEO David Meyers.

Typically, bottling companies measure impurities in water in units of parts per million. "We measure impurities in parts per quadrillion," he says proudly, adding that iceberg water is about 10 times less acidic than regular bottled water, leading to its smoothness. But at the end of the day, he says it's "the story that attracts people to the brand."

That story is, in many ways, of the iceberg hunters who've become the modern-day cowboys of the North and South Poles, with reality shows and news articles documenting the unique art of lopping off pieces of massive ice mountains that will be crushed into luxury water.

Humans have been drawing up fantastical plans to wrangle icebergs and subdue them for our use since at least the mid-1800s, when entrepreneurs announced their intention to drag icebergs to India, where the ice could reportedly fetch 6 cents a pound, and to "the southern ocean, for the purpose of equalising the temperature of the earth." In the mid-1970s, scientists from 18 countries gathered at a conference in Ames, Iowa, to contemplate how to tow icebergs to the Arabian Peninsula and other arid regions to be used as a water supply. It never happened, because the technology at the time couldn't manage the tricky feat in a financially feasible way, but scientists are still examining similar plots today. For now, though, it's all still a techno-fantasy.

BY
ZOË SCHLANGER
[@zoeschlanger](https://twitter.com/zoeschlanger)



BABY 'BERG: Kean and Philip Kennedy fish an iceberg out of Bonavista Bay, Newfoundland, to use for their own drinking water as they hunt for bigger icebergs to sell to water bottlers and vodka makers.

But what Ed Kean, iceberg hunter, does every day is no dream. He's one of a clutch of men making a living chasing icebergs at the top of the world with a grappling arm and plenty of caution.

"Imagine a time when the earth was pure. And imagine a time, tens of thousands of years ago, when all of earth's water was original, untouched and absolutely perfect. Imagine water absorbed by the clean atmosphere, and then falling as snow," reads copy for Glace Iceberg Water, one bottled-water company that Kean sells his bounty to each year. Indeed, these

icebergs are between 10,000 and 20,000 years old. They're chunks of ice cracked off from the Petermann Glacier on the massive Greenland ice sheet, the product of many years of falling snow compacting and moving, thanks to gravity, toward the sheet's edges. Eventually, the ice breaks off into huge pieces roughly 250 million tons each. That's the equivalent of 1,000 skyscrapers, or the weight of all the trash Americans produce in a year. These icebergs travel between three and five years to their final destination, first flowing south, then slingshotting

CRUSH ON YOU: Heavy machinery is used to harvest an iceberg. Kean and his shipmates harvest about 1,000 tons of ice per year, which becomes between 264,000 and 343,000 million gallons of water.





north with the currents to Baffin Bay, off the southwest coast of Greenland, and then again flowing south, to Newfoundland, where they settle into what's called "iceberg alley."

Anywhere from between three to 600 icebergs make their way through iceberg alley each spring, growing smaller and smaller from April through mid-July until finally melting away completely by late summer off the coast of St. John's, Newfoundland's quaint seaside capital. Just before that happens, Kean makes his harvest. This year, Kean says he saw a bumper crop of 'bergs, far more than normal—he thinks global warming might be a factor but is reluctant to lay all the blame there, due to variations from season to season that he's seen. Climate change has certainly brought more attention to his trade, he says, noting that "more than 30" camera crews have come to record his unique workday over the past few seasons.

Kean has a permit to harvest icebergs from Newfoundland, much like one might have a permit to hunt or fish. He works with a small crew on a 180-foot barge, outfitted with a grappling arm that bites off enough ice with each chomp to yield 1,000 liters of water. All told, Kean and his shipmates harvest about 1,000 tons of ice per year, which crushes down to between 264,000 and 343,000 million gallons of water. Next to a full iceberg, which can be anywhere between 100 million and 250 million tons, that's a drop in the ice bucket.

Newfoundlanders like to say they get their life from the sea. They are a marine people, living on a rock of an island off Canada's Atlantic Coast and surviving on the fishing industry there—until the early 1990s, when the island's centuries-old cod fishery collapsed, immediately putting 40,000 people out of work. They've since had to find other means. Kean was one of them. "I've been around icebergs since I was big enough to work," he says. He remembers hauling slabs of iceberg onboard to keep his catch of cod, Atlantic salmon and Arctic char cold for export. After the collapse, Kean first turned to monitoring icebergs for local university researchers, helping gather the data they used to try to predict the path of the 'bergs. Then came the vodka and bottled-water companies.

It can take weeks for Kean's team to find the ideal 'berg to bite. They have to be careful: If the visible part of the iceberg is around 10 or 15 cars' worth of mass, they can expect another 100



cars below the surface. If that iceberg "rolls"—flips over—the results could be disastrous. "They could sink your boat, sink your barge and sink the *Titanic*," Kean says, laughing. "We've had a few close or dangerous scenarios.... The iceberg battle is unique." Véronique de Viguerie, a French photojournalist who spent 10 days on Kean's vessel taking the photos that accompany this story, heard a thing or two about those near misses. In 2013, the crew said, an iceberg flipped unexpectedly, causing a small tsunami that came close to inundating the ship, she says. As de Viguerie accompanied them on the hunt, she heard them speculate on the safety of each piece of ice. "She looks dangerous. She can sleep," she heard them say, referring to the icebergs always with female pronouns.

The team has learned to avoid icebergs that have "legs," the curious limb-like protrusions,

"IMAGINE A TIME WHEN ALL OF EARTH'S WATER WAS ORIGINAL, UNTOUCHED AND ABSOLUTELY PERFECT."

like massive ice tentacles, that sometimes appear above water as the iceberg melts. These can give the floating 'bergs a less stable center of gravity and make them more likely to roll.

Watching Kean and his team pull massive, ancient hunks of ice through channels lined by the sparse, rolling Newfoundland coast, it's easy to imagine the world it fell on (as snow) tens of thousands of years ago. In a way, iceberg hunters are archaeologists, unearthing these ancient water molecules. But Kean is less sentimental. "It's just frozen snow. Just compacted snow," he says. For him, it's just a job, a way, in Newfoundland to still live off the sea. Besides, he says, "they're just going to melt anyway." When the sea gives you ice, you might as well drink it. ■





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THE FOX IN WINTER

Is the Grand Old Party over for Sean Hannity?

+ ANCHOR MANAGEMENT ISSUES: Hannity built a fine career by being a favorite of the Republican establishment, but he's now getting outshined by Fox colleagues who aren't nearly as cuddly with D.C.

SEAN HANNITY warns me repeatedly that his lunch order will be weird. Graying but still boyish with a toothy grin, the Fox News host sits on the second floor of Del Frisco's steak house, across the street from his office in midtown Manhattan. The "weird" lunch he orders consists of scrambled eggs with onions and a dash of bacon. Usually, Hannity explains, he would order a thick steak.

"I'm just on a really strict regimen right now, because I'm working out so much," he says. The conversation moves to his workout routine, specifically his passion for mixed martial arts. "I hit the heavy bag. I hit the mitts. I do a lot of core."

Hannity turns to a waitress as she fills up his glass of water. "We're talking about my MMA workout." She nods. "He's interviewing me," he adds. "He's part of the liberal media, so be careful."

"How's that going for you?" the waitress asks Hannity.

He doesn't have to answer because it's obviously been going really well for Sean Hannity

since 1996, when he was handpicked by Fox News Chairman Roger Ailes as part of the original team that redefined cable news. In an industry once dominated by the ostensibly non-partisan CNN, Fox torpedoed the unspoken standard that news should be impartial, tapping into an audience thirsty for conservative commentary. Under Ailes's tutelage, Hannity became a sensation, delighting viewers any time he filleted his squishy co-host, Fox's house liberal Alan Colmes, before going solo in 2008.

Hannity stood out, even at Fox, as the GOP's man inside the network, unloading on Democrats while cultivating access to the Republican Party. Unlike Bill O'Reilly, who gleefully strays from party positions—he supports climate change action and opposes the death penalty, for example—Hannity is reliably loyal to the GOP. He's mastered the swagger of the right-wing shock jock, whether by comparing Black Lives Matter activists to the Ku Klux Klan or telling a female guest to "follow the bouncing ball" while he explains terrorism to her.

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DOWNTIME/TELEVISION

But in 2013, at the middle of Barack Obama's tenure and a time of peak rabble-rousing for conservative pundits, Hannity got bumped from 9 p.m. to 10 p.m. Megyn Kelly, a rising star at Fox News, took over his old slot, while O'Reilly retained his 8 p.m. throne. These days, although more than 2 million viewers tune in to *The Kelly File*—the kind of numbers *Hannity* used to get—half a million switch off when she's through, leaving Hannity with 1.5 million viewers.

In a crowded Republican primary season seemingly tailor-made for Hannity, so far it's been Kelly in the spotlight. She's earned monster ratings and critical praise from both liberals and conservatives for her stint as a presidential debate moderator this summer, especially for the way she held her own against the bizarre attacks of GOP front-runner Donald Trump. Finally, in January she appeared in *Vanity Fair* with a laudatory profile. "Don't Mess With Megyn Kelly," the cover blared, "Fox News's Brightest, Toughest Star."

Hannity pauses before addressing Kelly's takeover of his slot. "Best thing that ever happened to me," he says finally. Asked whether he feels he's being eclipsed, he simply replies, "She's a huge star." But where does that leave Hannity? Still a key name at Fox, no doubt, but no longer the king of cable.

You wouldn't know it from his crew, though. However loathed he is by liberals, his baby-faced bravado has made him an apparent favorite among Fox employees. After lunch, at a pretaped segment in Fox's Studio D, a makeup artist spends at least two minutes explaining how Hannity is the nicest man in show business.

"Yeah, Hannity's a hoot," says Lou, one of his cameramen. "One time he challenged me to do a hundred pushups." Lou turns to Hannity, who is wiring up his mic to film a taped segment, his blue jeans visible underneath his desk. "How many was it? A hundred?" The mere mention of this incident brings Hannity to the middle of the set, where he challenges the crewman to a brief rematch. They both drop to the floor and start pumping out pushups, Hannity clapping his hands in between reps, Travis Bickle-style.

During the George W. Bush years, Hannity staunchly defended the administration and



Republicans in power. But ever since 2009, after Obama entered the White House and the Tea Party movement tapped into popular resentment toward the Republican establishment, Hannity has styled himself as a mad-as-hell right-wing dissident. "There's a *Washington Post* poll," he says at lunch. "I often cite it on my show: Sixty percent of Republicans feel betrayed by Washington Republicans. And I think for good reason." (After



**STRANGER
BEDFELLOWS:**
Hannity ran a dating site for right-wingers, and claims he has a 90 percent success rate as a matchmaker.

contacting Fox for a link to said poll, I find it's actually an in-house Fox News poll.)

Flashing his badge of independence, Hannity says he registers as a capital-C Conservative, not a Republican. Yet for all his populism, he doesn't ever use his influence to lay a glove on the GOP. Conservative political consultant Matt Mackowiak has noticed the host's lack of initiative. "He complains about leadership a lot. He parrots

the conservative base, but he doesn't have a real issue he focuses on. You don't see him using his influence for a policy outcome."

Of course, that's not how Hannity sees it. "The country is going down the shitter," he says at lunch, his voice rising while his plate of eggs gets cold. "I want to be one of the spokes in the wheels, pushing the ideas that will help save the country." What follows is a monologue seemingly pieced



together from bits of his radio and TV shows, evoking great men of American history and the dream of a better tomorrow. “Reagan said, Is it a third party we need? No, it’s a revitalized second party with no pale pastels but bold differences.”

Asked to place himself on a spectrum of conservatism, Hannity bristles. “I don’t, I don’t—you know, that’s a narrative that the left advances.” OK, but which of the Republican presidential candidates’ positions does he disagree with? No dice. What could one of them do to lose the Hannity vote? “Nice trick,” he says instead of answering the question.

A picture emerges of a conservative who wants to be loved rather than feared. Over the course of one lunch, he manages to say something positive about nearly every Republican contender. Florida Senator Marco Rubio “will be president someday.” Senator Ted Cruz completely schooled the media during the raucous CNBC debate. Governors John Kasich, Bobby Jindal and Scott Walker have all done “an outstanding job.” Jeb Bush, who has plummeted from double to single digits in the polls, is merely “underperforming.” Rick Perry has “a great record” and was unfairly laughed out of politics for one silly debate flub.

And don’t get him started on his good friend Donald Trump, whose brand of neckties he flashed during a taping of his show after our lunch.

In stark contrast, last year his fellow Fox personality Laura Ingraham waged a successful media campaign to oust then-House Majority Leader Eric Cantor from power. Also that year, O’Reilly made an unrelenting and public case for “Kate’s Law,” writing an open letter to then-House Speaker John Boehner and Senate Majority Leader Mitch McConnell pitching the draconian immigration bill.

That’s the kind of blood sport Tea Partiers want, but Hannity won’t play that game.

Still, what he lacks in radical cred he makes up for in marketability. Take his “Hannitization” live radio tours or his website’s catalog of neckties the host has worn during interviews: “HanniTies.”

There was also his dating website for right-wingers, the now-defunct Hannidate. “Many people got married,” Hannity says confidently of the site. “I don’t know the whole number, but a lot.” The

site was billed as “the place where people of like conservative minds can come together to meet. It’s fun, interactive, safe and anonymous—until you decide to take it further.” In fact, Hannity confides that sometimes, when he’s traveling the country or bored during book signings, he will put “cute couples” on the spot and pressure the man into proposing to his girlfriend. “I have a success rate of about 90 percent.”

But will he ever put that kind of pressure on a politician? Hannity denies he takes it easy on the powerful. “My role is not to tell my audience who to vote for. I give my audience access to the candidates they are considering and respect them enough to let them make their own decision.”

Mackowiak puts it differently. “He wants to be able to get the guests he wants, when he wants them,” he says. “He wants to have exclusives.”

At one point during lunch, Hannity seems to confirm his priority is show business, not impact journalism. “I am a conservative, but I consider myself a talk show host. If you ask me, Am I a journalist? No. Advocacy journalist? You could say that, but I consider myself a talk show host.”

As Kelly and Fox News win praise this election season for challenging candidates with tougher, more pointed questions, Fox is capitalizing on the Republican Party’s fractured state, which

“I CONSIDER MYSELF A TALK SHOW HOST.... AM I A JOURNALIST? NO.”

leaves Hannity possibly damned by his proximity to the GOP. Asked what he would do if and when he parts ways with Fox, Hannity says, “Probably drive around in the car, talk to myself for three hours a day.” When the question comes up again, he looks annoyed. “I’m 53. I’m young. I’m healthy. I’m not thinking about anything in the future.”

As I watched him tape his closing monologue for that night’s show, I realized Hannity was repeating, almost word for word, the answers he gave me during lunch. The “*Washington Post*” poll. The Reagan quote about bold colors. The call for new conservative solutions. Much like a politician, he’s delivered these bromides so many times.

Back from commercial break, with a few seconds to go as the graphics of the show’s bumper swirled on the TV monitors, Hannity squinted at me through all the lights and machinery and whispered, “What if I’ve got nothing to say?” **N**

TWO QUESTIONS WITH LEAD SAVAGE JEHNNY BETH

The post-punks in exile return to civilization on this month's *Adore Life*

THE SAVAGES GUIDE to avoiding the sophomore slump, were it to be inscribed in a gleaming black binder owned by the acclaimed London post-punk band, might look something like this: First, embrace isolation. Spend roughly six months in a studio in the city's northwest, minimizing human contact and constructing intense, nervy songs about vulnerability and the darker side of love. Next, unleash the songs-in-embryo on the world by crossing the Atlantic and playing nine shows in poorly ventilated clubs during a cold and bleak New York January. And then, finally, record your album.

Although Savages won widespread praise and a Mercury Prize nomination for its 2013 debut record, *Silence Yourself*, the band eschewed comfort for its follow-up, *Adore Life*, dropping January 22. A year after attending all nine of the aforementioned performances in a feat of endurance and winter-borne mild insanity, I spoke with the group's lead vocalist, Jehnny Beth, a French

singer who honed her underground cred with the duo John & Jehn and the label she co-founded, Pop Noire.

Beth spoke to *Newsweek* about Savages' frightening lyrics and what it was like to play at Banksy's satirical "bemusement park," Dismaland.

You sing in one song on your new album, "Love is a disease / The strongest addiction I know." What made you write about love in such a frightening way?

If I was going to write about love, then I was going to write about the byproducts of love as well. The things that we do, the things that we say that we might be ashamed of. I've always been interested in the dark side of things. I started writing very

hopeful lyrics, with very warm intentions. That was coming from the experience of touring the world with *Silence Yourself* and meeting our crowd and receiving such warm affection from them. That definitely changed us. It really touched us, and it had an impact on my writing. So I started off writing a lot of very hopeful and positive lyrics. [But] I wanted to talk about the other side of it. If you're experiencing a feeling of love, you're also experiencing anxiety or fear of being abandoned or jealousy.

There's a song on your album called "Sad Person." It reminds me of how sad memes on Tumblr are very popular. There's a Twitter account called @sosadtoday. Are you

familiar with any of that stuff?

No, I'm not! [Laughs] Are they funny? No, [the song] has nothing to do with that. But I like that you made a connection with it. There's a really good Twitter account, it's called @getinthesea. It's hilarious. Someone would pick on a horrible fashion thing or anything that doesn't make sense—absurd consumers or sometimes political values. And every time it finishes a tweet with "Get in the fucking sea" or "Get her in the fucking sea." I like that kind of humor. It reminds me of the humor we found when we played Banksy's Dismaland and the idea of all the staff acting totally fucking miserable. Which is kind of a relief—instead of a culture of always trying to smile. ■





THE CURATED LIFE

THE CASHMERE PHILOSOPHER-KING

Autodidact Brunello Cucinelli thinks intensely about the world we, and his beautiful knitwear, inhabit

“THE NATURE OF Theophrastus and of the Franciscan Monks is *Nature naturans*, Nature untouched by man, one that nurtures and heals without asking anything, as sung centuries later by Giordano Bruno and Baruch Spinoza.”

There cannot be many autumn/winter 2016 fashion catalogs that invoke a Greek philosopher from the fourth century B.C., a medieval monastic order and philosophers from the 16th and 17th centuries—and that’s just in the first paragraph.

But then Brunello Cucinelli is not just any fashion designer. To get the most out of his seasonal brochures, it helps to brush up on your Aristotle, have a rudimentary knowledge of Virgil’s *Eclogues* and be prepared for a few intriguing allegorical twists and turns.

What all of the above means in fashion terms is that this winter is about “natural luxury” in neutral tones, with an accent on layering. But then pretty much every Cucinelli collection is about natural luxury in neutral tones, with an accent on layering.

What makes Cucinelli’s clothes different is the man himself. Whereas standard fashion house procedure would be to corral the celebrity star of the moment and transform him or her into a brand ambassador, Cucinelli invokes the spirit of John Ruskin (spring/summer 2014)—and also manages to attract James Bond. Daniel Craig likes the brand so much that he wore a brown Cucinelli suit in one of the scenes in *Spectre*, even

though the official 007 outfitter is Tom Ford.

The Wall Street Journal named Cucinelli the Cashmere King, but he is more like one of those philosopher princes of Renaissance Italy who, having won wealth as a *condottiere* on the field of battle (or, in his case, the pitiless world of international fashion), retires to his hilltop fastness to think, to read, to contemplate beauty and to ponder the place of man in the universe.

I first met Cucinelli some years ago, when he was busy restoring the abandoned medieval hilltop hamlet of Solomeo near Perugia, in which he had built a theater and a library, and breathed life into the old stones. I had difficulty taking it all in. I was expecting to meet a successful maker of cashmere pullovers, and instead I spent the day and most of the night talking in French (he spoke no English, I little Italian) to a man who gave the impression that he would happily give up fashion and devote himself to the study of the life and works of the likes of Hadrian, Marcus Aurelius or indeed anyone who has approached life with intelligence, humanity, compassion and humility.

He devours knowledge and the wisdom of the ancients with the voracity of the autodidact he is: the son of poor farmers. He grew up in rural Italy during the 1950s and did not encounter electric light until his mid-teens, when the family moved to town and his father worked in a cement factory. He remembers his father’s deep unhappiness with factory life; he

BY
NICHOLAS FOULKES



CLOSE-KNIT: Fashion designer Brunello Cucinelli learned to value education above all else from his father's unhappiness with factory life. Today, Cucinelli's designs are deeply inspired by the wisdom of ancient philosophers.

was humiliated there by those who thought him an uneducated peasant. It was a situation that affected Cucinelli and one that also taught him to value education above almost anything.

Cucinelli is a good-looking man with a thatch of dirty blond hair, a trim figure and a porcelain smile. As a young man, he modeled for Ellese and got involved in cashmere only because he was keen on a girl who worked in a knitwear store.

He started out making colorful cashmere for women before turning his attention to menswear, and in 1997 he opened his first store under his own name, in St.-Tropez, France. A couple of years later, he decided to branch out beyond knitwear to create the total look. "I basically took a look at my personal wardrobe, my coats, my blazers," he says, "and I tried to make them contemporary." Thus was born the look that he calls Sportive Chic Lusso: the "one-and-a-half-breasted blazer" (like a double-breasted but with a smaller wrap); the slightly too-short cargo pant rolled up at the ankle; the neutral natural palette; and, of course, the gilet.

chore work as a philosophical treatise.

At the end of the current brochure, he writes, "Prince Myshkin, when he said that beauty would save the world, was laughed at. But like many other visionaries who were humiliated by their contemporaries, he was right. Beauty will save the world: our only task is to save beauty, and we can

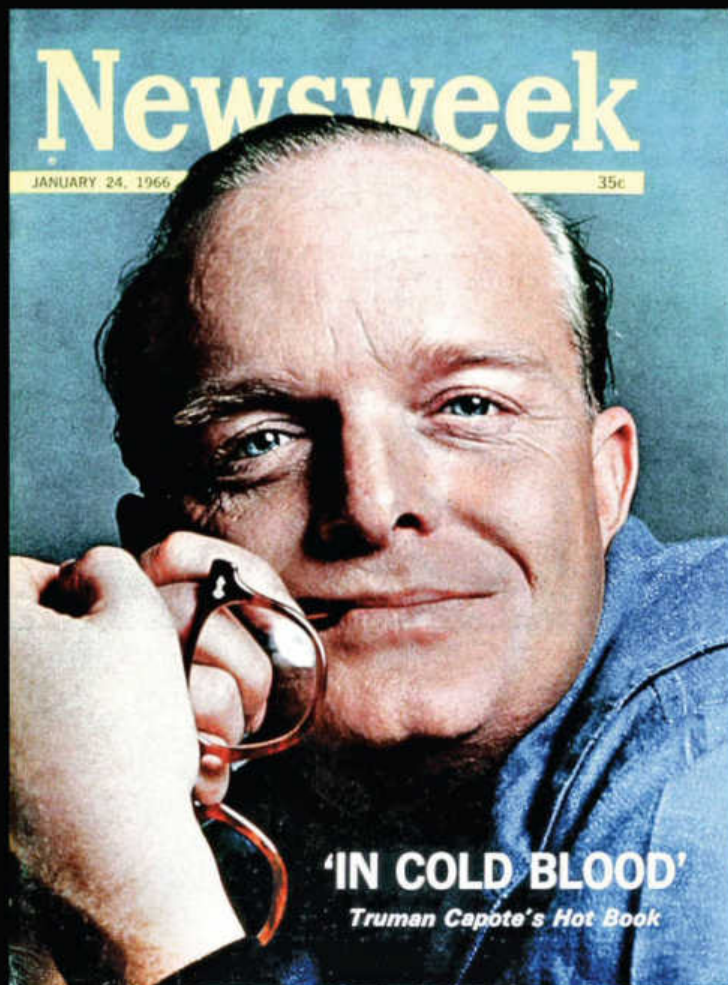
HE GREW UP IN RURAL ITALY AND DID NOT ENCOUNTER ELECTRIC LIGHT UNTIL HIS MID-TEENS, WHEN THE FAMILY MOVED INTO TOWN.

do this with simplicity and ethics, watching and learning, with courage and love, from Nature."

One lovely way to help save beauty: succumb to Cucinelli's designs as well as his prose, and treat yourself to a one-and-a-half-breasted, biker-style, stone-colored shearling gilet from his upcoming spring-summer collection. ■

REWIND

50
YEARS



JANUARY 24, 1966

AN ANONYMOUS "IRATE FATHER,"
RESPONDING TO A HARVARD
PSYCHIATRIST'S PROPOSAL TO
ALLOW CHILDREN TO "PRACTICE
DRINKING" IN GRADE SCHOOL TO
BUILD SENSIBLE ALCOHOL HABITS

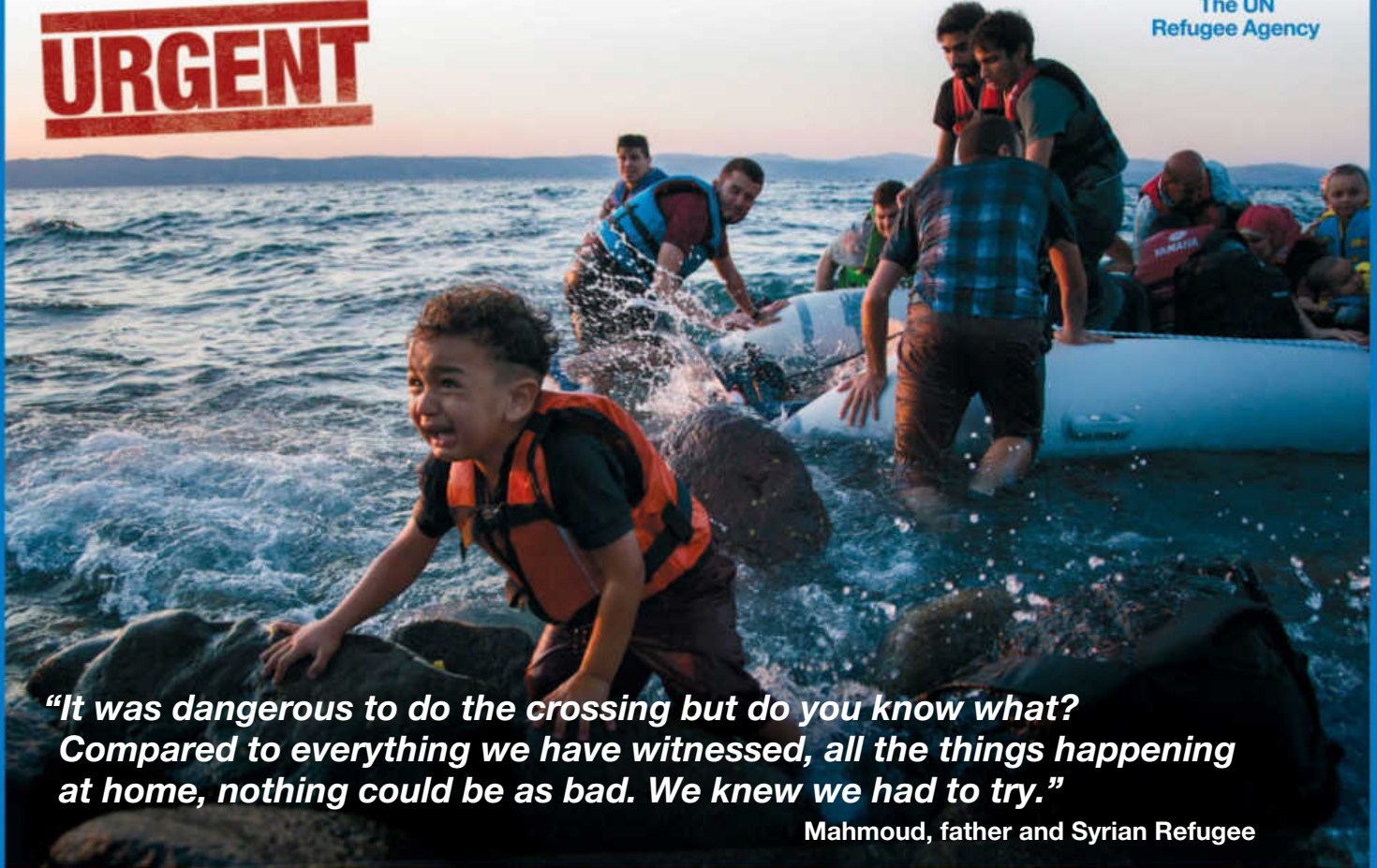
“My kids
have
taken
over
enough

of my life. Damned
if they're going to
get my booze too.”

REFUGEE CRISIS IN EUROPE

FAMILIES FORCED TO FLEE THEIR HOMES

URGENT



"It was dangerous to do the crossing but do you know what? Compared to everything we have witnessed, all the things happening at home, nothing could be as bad. We knew we had to try."

Mahmoud, father and Syrian Refugee

Over 400,000 people have crossed the Mediterranean during 2015, undertaking unthinkable journeys from countries like Syria, that have been torn apart by war and persecution.

These families are fleeing for their lives, risking the treacherous sea and land crossings. Many having no choice but to board over-crowded, flimsy boats to give their children a chance of safety. For some, this desperate journey will be their last. Almost 3,000 people have drowned trying to reach safety in Europe. The crossing is dangerous but for many families making this journey is the only choice they feel they have.

UNHCR is on the ground providing life-saving assistance but we need your help.

You can help provide shelter, food, water and medical care to vulnerable families arriving in Europe.

With so many in need and as more continue to make this journey, your donation today is vital and will help UNHCR to save lives and protect families who have been forced to flee their homes.

\$120 can provide emergency rescue kits containing a thermal blanket, towel, water, high nutrient energy bar, dry clothes and shoes, to 4 survivors.



PLEASE GIVE WHAT YOU CAN TODAY. VISIT [DONATE.UNHCR.ORG](https://donate.unhcr.org)

Elegance is an attitude

AS

Aksel Lund Svindal



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